

TRANSCRIPT OF PROCEEDINGS

In the Matter of:

NATIONAL ADVISORY PETROLEUM COUNCIL.

Date: October 21, 1948.

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EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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Pages	<u>Steel Pipe Shipments</u>		<u>Production & Refining</u>			
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

CHAIRMAN: Gentlemen, the Council will come to order. Before the Secretary proceeds to the calling of the Roll, I wish to advise the Council that, this being the final meeting of this present Council for 1948, some members having served two and one-half years, the Secretary of the Interior has very graciously provided a Certificate of membership for the members of this Council. When the Roll is called I should like to ask that you raise your hands so that these Certificates can be delivered to you.

MR. HALL: Gentlemen, as Walter said, this will be the last meeting of this year's Council as presently constituted, unless there should be an emergency, which we trust will not be the case.

The new appointments to the Council will presumably be made in November and no great changes are contemplated. The Secretary feels that the services of the members of this Council should be recognized and that the members should be given a Certificate of Membership which should show not only the membership on the Council, but the confidence and trust that that membership represents on the part of the Government towards the members of the Council. I am extremely sorry that Secretary Krug could not be here to present these Certificates in person. He wanted to be, but it is impossible at this time because of other engagements.

I am constrained to impress upon you what these Certificates say by reading you the text of one of them:

"Reposing special confidence in his wisdom, integrity and patriotism and in the value of his advice and counsel as a representative of the petroleum industry, I hereby designate and appoint Walter S. Hallanan, a member of the National Petroleum Council"

I hope you are as proud to receive them as we are proud to give them to you.

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CHAIRMAN: The next member who will be called is a new member of the National Petroleum Council. Invaluable counsel and advice has been given to the Council by Mr. Hines H. Baker as a member of the Agenda Committee of the National Petroleum Council. He is now a member of the Council and I desire to present to you at this time Mr. Hines H. Baker who is President of Humble Oil and Refining Company. Mr. Hines Baker.

The Secretary called the roll and the Certificates of membership were presented.

CHAIRMAN: Gentlemen, since the last meeting of this Council we have lost one of our highly esteemed members, a great leader in the petroleum industry, Harry Carothers Wiess, President of the Humble Oil and Refining Company, who has passed on. I think it would be fitting at this time to receive a Memorial, which comes from a Committee which I appointed during the interim since the last Council meeting, to prepare for presentation. That Committee is composed of Geo. A. Hill, Jr., Chairman, Hines H. Baker, J. C. Donnell, II, Eugene F. Holman, W. Alton Jones, Frank M. Porter, Chas. F. Reeser, Reese H. Taylor, and Robert E. Wilson. Mr. Hill, will you present the Memorial to Mr. Wiess?

Mr. Hill presented the following Resolution: "

RESOLUTION

The members of the National Petroleum Council learned with sorrow and a feeling of personal loss that their friend and associate, Harry Carothers Wiess had died on August 26, 1948. Harry Wiess was an outstanding leader whose distinguished career included many contributions of benefit to the nation and the industry. His character, wisdom, ability, energy, and devotion to duty elevated him to a position of leadership in the petroleum industry and gained for him the high and affectionate esteem of innumerable friends. His remarkable vision, imagination, and grasp of industry problems enabled him to contribute significantly to the orderly development of petroleum resources and technology for peace and war.

Harry Wiess devoted all his adult life to the petroleum industry, and especially to its development in the Southwest. As an organizer of Humble Oil & Refining Company in 1917, and an important official in his successive positions as Vice President, Executive Vice President, President, and Chairman of the Board, he was a leader in the application of scientific methods to petroleum operations and in the development of sound conservation principles. He was always keenly interested in long-term trends, and his ability to anticipate and analyze future problems contributed materially to the progress of his company and the industry.

The members of the Council recall especially well the contribution which Harry Wiess made to the war record of the petroleum industry. As chairman of the Transportation Committee and member of the General Committee for District Three, appointed by the Petroleum Administration for War, and as a member of the Petroleum Industry War Council, he helped materially to promote the flow of essential petroleum products for World War II. His leadership was an important factor in the war records which the Humble Company made, especially in producing oil and in manufacturing toluene, synthetic rubber, and aviation gasoline. As a member of the National Petroleum Council after the war, he continued to give generously of his ability and time to all industry problems, and particularly to the understanding of the competitive relationship of oil and gas with other energy resources.

He was universally admired throughout the industry for his high principles, his keen vision and mind, his industrial achievements, his numerous important contributions to education and civic progress, and his friendly, modest bearing toward everyone.

THEREFORE BE IT RESOLVED, on this 21st day of October, 1948, that the members of the National Petroleum Council record their high and affectionate esteem for their friend, Harry C. Wiess, and sense of great loss at his passing, and their heartfelt sympathy with the members of his family, and

BE IT FURTHER RESOLVED, that a copy of this resolution be sent to the members of his family as a permanent record by the members of the Council of their appreciation and esteem for Harry C. Wiess.

MR. HILL: I knew Harry Wiess for a great many years. It so happens that I had particular reason and occasion to observe his most salient interest and thoughtfulness in doing what he could to be careful and thoughtful and sensitive of and regardful for the feelings of others. "

wish that I could adequately describe the great lengths which Harry ^e~~Wise~~^s would go and take up his time and patience to remove any doubt or misunderstanding and to be considerate of others.

I do not believe that I can adequately express it, but it was a beautiful characteristic, a most significant thing, and he had as highly developed ^a sense of regard for others as I have ever witnessed in anyone.

It was moved and seconded that the resolution be adopted.

The Chairman. It has been moved that the resolution in memoriam as presented be adopted, and I suggest a rising vote of the members.

(All present rose)

The Chairman. The resolution is unanimously adopted.

Members, we have received the minutes of the last meeting.

held on July 29th, 1948. What is your opinion of the minutes?

pleasure?

and seconded that the minutes be adopted

(It was moved and

without reading.)

and the motion, which has been

The Chairman. You have

duly seconded.

ing "Aye".

All in favor

(General

er will now submit

The

Mr. James V. Brown: Receipts from contributions so far this year, \$72,050.00; other receipts, \$478.97, or a total of \$72,528.97.

Disbursements: The net payroll is \$15,808.02; taxes \$2,212.74;

Meetings, travel, and so forth,	\$5,603.79;
Postage,	1,219.80;
Telephone and telegraph	3,382.99;
Rent,	5,625.00;
Subscriptions,	1,436.06;
Office Supplies,	4,475.72;
Miscellaneous,	304.44
Furniture and Fixtures,	2,216.60;
Total net expenditures	\$42,285.15.

The net receipts over disbursements are \$30,243.82, or a balance available in bank at the end of the period, including a balance of \$15,208.83 from prior period, of \$45,452.65.

The Chairman. You have heard the report which will be filed. Any comments or questions?

(No response).

The Chairman. We move now, gentlemen, to the reports of the various committees. You have available before you the report of the Petroleum Storage Capacity Committee, of which Mr. L. E. Wescoat is Chairman.

Mr. Wescoat.

REPORT OF PETROLEUM STORAGE CAPACITY
COMMITTEE, L. S. WESCOAT, CHAIRMAN.

Mr. Wescoat. Pursuant to the appointment of this committee there were held two meetings.

Questionnaires were sent to all important segments of the industry to bring out the data, as requested. It was the committee's opinion that in order to gain the maximum usefulness and understanding of the figures to be returned, it would be necessary to ask each company to analyze its unavailables, as a part of some previously reported information.

Therefore, the decision was to ask for such analysis as of March 31, 1948, inventories as reported to the Bureau of Mines, in order that we might have proper comparatives to the report as had been made to the Bureau.

Based on inventories in comparison with those previously reported to the Bureau of Mines, the crude oil section represents 98 per cent of refinery, pipe line, tank farm and in-transit crude; the clean products group 97 per cent, and the residual fuel oil portion almost 99 per cent of all the inventories of those products reported as of March 31st, last.

These extremely large returns are very gratifying to your committee, and it takes this opportunity to thank the industry for such a fine response.

The significant facts of the survey on crude oil was that 65 per cent, or about two-thirds of the total crude oil in-

ventories represent unavailable stocks. California was the high individual district, with 68 per cent and District 4 the lowest, with 53 per cent.

Total tankage for the storage of crude oil for the country as a whole totalled 416,000,000 barrels, including reservoir storage in California, of 2,627,000 as against the total of 177,000,000 barrels actually contained in these facilities on March 31, 1948.

More than 30,000,000 barrels of crude oil are required to fill tank farm and main trunk pipe lines, and 5,000,000 are required as fill for crude oil tankers, barges, tank cars, and trucks.

About 100,000,000 barrels of crude oil are required to assure continuous operation of pipe lines and refineries, and the handling and blending of the various grades of crude oil.

We then have a break-down of those figures by Districts.

Companies responding to the questionnaire had about 150,000,000 barrels of clean product inventories, including gasoline, kerosene and distillates on March 31, 1948. Of that total 75,000,000, or about one-half were reported as necessary for continuous operation and therefore unavailable for consumption.

About 11,500,000 barrels of these products alone are required as pipe line, tanker, barge, tank car and tank truck fill, with another 6,500,000 necessary as pipe line operating

reserves.

The East Coast Refining District's 61 per cent unavailable is the highest individual over-all District requirement, in comparison with the national average.

California is next highest, with 56 per cent, the other areas ranging between Rocky Mountain's 29 to Oklahoma-Kansas with 49 per cent.

The clean product tankage reported to the survey totalled 319,759,000 barrels, in comparison with the 138,629,000 barrels of these products actually contained in this storage.

We follow with the break-down for the various Bureau of Mines' Refining Districts.

The residuals, the reporting companies indicated that they required fifty per cent of their 41,000,000 inventory, or about 21,000,000 barrels, in order to keep their facilities operating.

Tankage for storing residual oil as of March 31, 1948, totalled 123,000,000 barrels, including 41,574,000 of reservoir storage space in California.

About 40,000,000 barrels of residual fuel oil was actually contained in the storage indicated, on March 31st.

This requirement of the California storage, the representative of the Committee from that area said that that should not be included in your over-all storage.

Then follows the break-down of actual and unavailable

residual fuel oil inventories.

One of the most interesting findings of this study is the very large petroleum storage capacity required in the United States to maintain normal flexibility of operations, over and above that actually occupied by current inventories.

On March 31, 1948, there was an average of 100 barrels of storage capacity for every 41 barrels of petroleum inventories. To those outside the petroleum industry, this relationship may appear unusually large, but to the petroleum industry, this simply confirms operating experience indicating a relatively high capacity is needed, compared to inventories, in order to operate efficiently. This does not mean, of course, that there was room to store an additional 59 barrels for every 41 barrels then on hand and still continue to operate the industry normally.

In no sense is the difference between these inventory and capacity figures an indication of usable storage space.

In this connection it should be realized that kerosene, distillate fuel oils and residual stocks were at their seasonal low on March 31st, and that crude oil stocks were at undesirably low levels in several districts.

Season accumulation of burning oils from March 31 to September 30 normally amount to approximately 82,000,000 barrels, and this year about 87,000,000 barrels were added.

It is also a fact that field and refinery tank farm as

well as terminal and other distribution facilities must be completely flexible if shipments to refining and consumer points are to be carried on efficiently, and on schedule.

Also, the large number of different grades and specifications of products carried is another reason that would tend to make the relationship of tankage capacity to actual stock appear to be on the high side.

Long-term operating experience also indicates that anything higher than a 70 per cent product-tankage relationship will begin to develop difficulties, while in other installations, even a considerably smaller relationship causes operating problems.

The storage capacity indicated in this report includes 44,100,000 barrels of reservoir storage in California, and while only a small part of this is occupied, its usefulness is limited to the storage of heavy crude oil or viscous residual fuels.

We make these points here not only for the interest they may contain, but also to point out that the only true measurement of availability of storage space would be through direct contact with operating companies.

The letter from the Oil and Gas Division included a request for information on secondary storage capacity.

This question was carefully considered by your Committee, and possible methods for securing the data.

A feasible plan of sending questionnaires to the 12,000 jobbers and distributors and the 250,000 primary service stations in the United States could not be worked out, therefore the committee was forced to abandon such a large project.

It did examine trade and press notices of many bulk plant expansions which, in the aggregate amount to several millions of barrels of additional storage capacity for finished products.

The committee also inquired into the matter of consumer storage capacity.

It believes that the industry's campaign to encourage the enlarging of these facilities has borne much fruit as tens of thousands of consumers are reported to have installed additional tanks. From these commonly known facts, your committee concluded that the secondary storage capacity has increased appreciably during the last year. Further efforts along these lines should still be encouraged because they will assist the industry toward more even operations of all of its facilities, so it may better serve the consuming public.

Mr. Chairman, in connection with this report, I would like to point out that, as all of its members know, Mr. Fred Van Govern was the one who did as an individual, practically all of the work, in conjunction with four or five of his assistants throughout the country, and the entire credit is due to him and his group.

The Chairman. Thank you very much, Mr. Wescoat.

Gentlemen, you have the report before you. Are there any questions, or is there any comment?

Dr. Wilson. Mr. Chairman, I think it is a very fine job. I know some of the difficulty of getting together something like this.

I would like to know whether there is any substantial amount of Government-owned tankage which is or is not included in this inventory?

Mr. Wescoat. Mr. Van Covern is here and I think he can answer that question, or any questions that anyone may have in connection with the report.

Mr. Van Covern. Each individual company was asked to report its own products and own tankage. The question as to whether or not there was any Government tankage owned was not, of course, asked of the various companies. It is my information, however, that the report does not include any Government-owned tankage.

Dr. Wilson. And there is quite a bit of that at various points. Possibly the Military Advisory Committee might secure the information and submit it. Could I presume that they have that in mind?

Mr. Bruce K. Brown. There is, of course, some military storage, much less than you might think. So far as I know, military tankage would be naval tankage and some very small

port installations, and a farm or two on the Pacific Coast. I do not think it is very significant as far as total is concerned.

Dr. Wilson. Does not the Government still own that tankage in Indiana that was on the Big Inch Products Line?

Mr. Van Covern. No. That is owned by an individual; I think there is less than 1,000,000 barrels.

Dr. Wilson. I was wondering whether that was included in here.

Mr. Van Covern. I don't know whether it was or not, but if it is included in the industry it is in here.

Mr. Bruce K. Brown. It is fine to have the statistics. I think a lot of people can use that. We are going to have to start a program of re-education with respect to that 59 barrels empty that can't be filled, because the report, to a layman, would indicate we have storage capacity available that we do not have, and this thing is going to come back to bite us. I think we shall have to call attention to the fact that we cannot keep the tanks full, and that we will have to emphasize the fact of the unavailability of some of the storage which the report says is available, but which is not available.

The Chairman. I think your point is well taken, Mr. Brown, and I am wondering if it might be helpful if Mr. Westcoat and Mr. Van Covern and you could work together in the

preparation of a release, a news release on this report, that might, to some extent amplify the situation, and avoid that misunderstanding?

Mr. Bruce K. Brown. I think both Mr. Wescoat and Mr. Van Covern are just as conscious of it as I am.

The Chairman. Well, I thought you might be helpful, of course.

Mr. Bruce K. Brown. I am not a member of the committee.

The Chairman. I know that, but this is a collateral responsibility.

Mr. Bruce K. Brown. I will be glad to help.

The Chairman. Dr. Wilson?

Dr. Wilson. The thing on which I would like Mr. Wescoat and Mr. Van Covern's opinion, and Mr. Brown's too, having in mind war products, there is not more than just a few days' supply, so to speak, and where would they be?

Mr. Wescoat. I think, Dr. Wilson, the answer to the question is that there is tankage available but it is at points where it is of no use under the conditions to which you refer.

We all understand by the term "tankage" that it is at a minimum today, in fact, in many refineries, they are working at a disadvantage. In some cases they have had to cut back the production, because they had no more room in which to put it. In my judgment, I think an analysis of the report will

bear out the fact that if any additional storage is required, it would have to come in the form of new tankage rather than the absorption of existing tankage presently in use by the industry.

Dr. Wilson. One important point that I do not think is emphasized, and that might be covered in this news release, and that is the fact that in essence you must have ^{more} total tankage that you have ^{products} at any given time at any point served, whether icebound or otherwise.

In other words, at Whiting, we have to have a lot of tankage so that we can keep the ^{refinery} line operating during the winter, ^{when the Great Lakes are closed to traffic,} and at ^{tankage to fill} both points you have to have a lot of ^{during} fill-out, ^{the} so that ^{summer} that possibility can be taken care of. ^(Distribution points) ^(winter needs)

Mr. Wescoat. We have stored 87,000,000 barrels of burning oils over the period from March 31st to September 30th.

Mr. Bruce K. Brown. Concerning the question Dr. Wilson asked, and someone else asked of Mr. Wescoat and Mr. Van Covern, namely, his opinion as to whether the Government has put any products in storage for possible military use, they can use existing storage, but should they build new tankage -- that has been a very important subject of discussion over the last few months, but the condition that this report shows is not a healthy one, because we have not done a good job of selling our fuel needs, and when some of the officers particularly concerned immediately with the subject of petroleum tankage,

tank storage of military products, they have to answer the question that if they could build or propose to build tankage, and then they meet the argument as to whether the existing storage should not be used, and I think that industry has slipped up in connection with the plan of the Armed Services to put some products in storage, and probably always will.

The best way to secure that information from any area, without asking the people in that area whether they are willing to release it, there is the very obvious reason that the owners of the tanks are very reluctant to lease them, and that must be because they do not know just how much such storage could be used. But there is one thing that does come out, and that is, that where the Services do want specific storage at specific points, they either have to determine that they have adequate storage there, or they do not, and if they feel they must have tankage there, they will have to build it.

Mr. Duke. I wonder if it would be appropriate to try to work out some figures as to the combined storage of the private companies? I am thinking of points where we have several companies using common storage, and then there is tankage to be had, easily available to the Military to stockpile, and I think most of us sort of feel that it should be used, as much as we might not like it, rather than the building of additional tankage.

The Chairman. Mr. Ball, do you have any comments on this report?

Mr. Ball. I think this is a very fine report, and I think that it gives a lot of information that ~~is~~ needed to be studied, and assembled. I do not agree with the apparent inference of ^{Bruce Brown} Mr. Duke, that because statistics need intelligent interpretation, you should not have statistics.

I do feel that these figures want to be intelligently used, and intelligently interpreted, and that unintelligently seized upon, ~~something very erroneous~~, some very erroneous conclusions could be drawn, but the matter of meeting a situation of that sort, it seems to me, is first to get your facts and then to study your facts, ~~and~~ for the first time we have facts with which to start, and I think this report is an extremely valuable report.

Mr. Blaustein. I wonder whether the report might not include some of the explanatory information left out, and the release, I wonder if the Chairman of the Committee would not feel that perhaps some of this explanation might go into the report?

Mr. Wescoat. The one section of the report that I did read gives most of the explanatory information.

The Chairman. The question is, gentlemen, upon the adoption of the report.

(The motion was made and seconded for the adoption of the

report.

The Chairman: All in favor of the motion indicate by saying "Aye".

(There was a favorable indication of receipt)

The Chairman. Thank you very much.

Gentlemen, on July the 3rd last I received from the Secretary of the Interior a request for the appointment of a committee of the Council to formulate National Oil Policy.

I recognize that in that request there was involved a very large and a very important assignment from the standpoint of the Council and from the standpoint of the industry. That committee was named just a few days prior to the last meeting of the Council. I refer to that because I wanted it to be known and now want it to be known that we moved promptly in the acknowledgement of the request after it had been approved by the Agenda Committee.

That committee has been extensively at work in revaluing and reappraising the National Oil Policy as defined in the report of the Petroleum Industry War Council. It has had a great deal of research work done, and it is proceeding with the assignment given to it with a seriousness and realization of the problem and at the same time with an understanding of the necessity of moving as expeditiously as possible. On yesterday that committee had an all-day session here in Washington, and under the leadership of Mr. Jacobson, I know

that it is buckling down to do a very fine job.

The report will not be available for the consideration of the Council at this session, but it is contemplated that it will be available at the next session, and I think it would be interesting at this time if we might call upon Mr. Jacobsen, the Chairman of the Committee, to give a progress report of the Committee on National Oil Policy.

Mr. Jacobsen.

REPORT OF NATIONAL OIL POLICY COMMITTEE,
A. JACOBSEN, CHAIRMAN.

Mr. Jacobsen: Mr. Chairman, as this Council is aware, that committee was appointed, and I was made its Chairman, and the committee has been very hard at work. We have had a number of meetings. We have had any number of ^{exchanges of} individual views between some of the members; ^{we} they have gone through quite a few drafts to reconcile the views of various members, that have been put forward, and a draft was prepared, and that was submitted yesterday to the full committee.

We had an all-day session, beginning at ten o'clock in the morning and finishing at seven thirty in the evening, without even taking time out for lunch, and went through the whole thing from beginning to end.

A number of changes were made, most of them in wording, changes of wording more than anything else, and it is, of course, an important document and for that reason, perhaps,

more attention was paid to getting just the precise word and just the precise phrase and expression, rather more so than would be necessary in most of the reports that have come before the Council.

The net result was that the next draft is going to be prepared, taking into account all of the suggestions that were made yesterday, and meetings will be called of the full National Oil Policy Committee, to be held in Chicago, at the Palmer House, at 2:30 in the afternoon of Monday, November 8th, just before the meeting of the ^{APC} ~~IPA~~ to take advantage of the presence of all or most of the members of the Committee, and it is to be expected that at that Chicago meeting, we will end up with a draft that will meet with the approval of the full National Oil Policy Committee. It is then the intention to send copies of the Policy Committee's proposal to all of the members in advance of the next meeting, so that they will have a chance --

The Chairman: All of the members of the Council.

Mr. Jacobsen: All of the members of the Council, so that they will have a chance to study it in advance of the next meeting.

I think that is about all I have to say, except this, for the benefit of some of the members here: Yesterday it was decided to appoint a small, temporary ^{sub} committee, to iron out two of the points that we could not agree on, and the members

statement, and recommendation, as to ^{national} the oil policy. Nearly all of your committee chairmen have been good enough to invite me to attend ^{their} your meetings, when ^{they} you are discussing ^{their} your reports.

Mr. Jacobsen was no exception. Mr. Jacobsen invited me to attend the meetings of this committee, but then Mr. Jacobsen and I talked it ~~off~~ over a little bit and we decided that this should be purely and simply and strictly an industry recommendation, without any influence by anyone in the Government, no matter how close he may feel to you, ~~and that~~ therefore, if you do not see me at meetings of this committee, it is because of no lack of interest, but because the Chairman and I have agreed that it is better for the Government to stay out of this and let the industry draft its statement of what the industry thinks the national oil policy should be.

The Chairman: Mr. Jacobsen?

Mr. Jacobsen: I am very glad Mr. Ball made that explanation. I forgot it, and I should have mentioned it.

You may recall, too, gentlemen, that the letter or request addressed to the Chairman by Secretary Krug put absolutely no strings on us. It simply said to this Council, "Will you please tell us what your opinion is of what ought to be our national oil policy," and we were not limited in any respect, and when I invited Mr. Ball, to attend, we talked about that phase of it and then he said, "Well, I would like to be

of the ^{sub}committee were John M. Lovejoy, Russell B. Brown, George Harding, ~~Dean Williams~~ ^{Eugene Holman} and Jack ~~Hamilton~~ ^{Hannon}, and John Lovejoy is Chairman of that committee, and I don't know whether he knows it, but he knows it now, that committee is going to meet at lunch today, so that they can have a report ready this afternoon.

The point is that it would be very desirable if it would be possible to get that ready before we break up this meeting. That is the whole point.

Mr. Lovejoy. With respect to the meeting at Chicago, I do not know whether you have taken into consideration the fact ^{another meeting involving several members of the committee has} that ^{possibly} we will not be through by two o'clock. ^{been set for that day}

Mr. Jacobsen. I did not know about that.

Mr. Lovejoy. I do not think it will be through by two o'clock.

Mr. Jacobsen. Well, then, as I say, we will make it two thirty. That is all I have to say, Mr. Chairman.

The Chairman. Thank you, Mr. Jacobsen.

Mr. Ball, would you comment on Mr. Jacobsen's report?

Mr. Ball. Just two very brief comments that I would like to make: One is that we, in the Department, are very much pleased at the earnestness and seriousness with which the committee has taken up this task, because we think it is one of the most important tasks before the Council.

The other is that we are anxious that it be an industry

there, but it is just as well that I do not go, so that nobody could possibly say there had been the slightest influence on the part of Government in the expression of industry's views with regard to that policy.

And with regard to the earnestness and seriousness with which the problem had been approached and debated, if anyone doubts it, I wish you could have been at the meeting yesterday, for I nearly got hydrophobia.

Mr. ^{Holladay} ~~Logan~~. The gentlemen in this corner of the room want me to call Mr. Jacobsen's attention to the fact that a statement of national oil policy already has been issued by a Professor of Law at Yale University.

Mr. Jacobsen: Yes, and one of the members of this Council, Mr. ^{Marshall has} ~~Hill~~, told me what he thought of it.

^{B. L. Maynard}
A Voice: Also from Yale.

The Chairman: Mr. Jacobsen: I also take it that your report will be available for the study and consideration of the members of the Council by the latter part of November?

Mr. Jacobsen. I certainly hope so, ^{but} ~~because~~ I would have thought that the report would have been ready today, but there ^{all that argument yesterday by} ~~was the action of the committee members, but~~ Seriously, I think that all of the committee members who were present yesterday, and I think we had a very good attendance, I think they got everything off their chests that they wanted to get off, and, of course it is going to be always extremely difficult to re-

word a document as important as this, and submit it to a number of individuals all over this country, and have them agree that everything is exactly as it should be. There is always one fellow who will say we ought to say "but" instead of "however", and he will fight for it to the last ditch.

But seriously, I think we have gotten so far with it that we should be able, without any trouble, to clear it up at the Chicago meeting so that very shortly after that it can be submitted to the members of this Council.

^{Mr. Wilson}~~Mr. Wilson~~. I am glad you asked the question, because I ~~think~~ yesterday you talked about you having hydrophobia. I had a double attack of it, and I was told this morning, ^{by} about John Lovejoy, that I had not only bitten myself but had ~~an~~ ^{bitten everybody else.} ~~attack of hydrophobia, and that wasn't right, as I want to~~ impress this particular ^{by} if I may, and embrace this opportunity to use as an example of the effort and the interest that has been taken by the members of the committee, just to point out the fact that Joe ~~and~~ ^{has} Pogue ~~have~~ worked assiduously on this subject, and they ^{has} have travelled around various portions of the country, and ^{has spent practically all of his time for 60 days working on the} ~~Jacobson~~ has done a very magnificent, patriotic ^{draft} and self-sacrificing job, and he was bit all over the anatomy yesterday by everybody, but I still reserve the right to talk and get hydrophobia every once in a while, just to keep in training.

Mr. Jacobsen: Don't you think we should be able to clear

it at the next meeting?

Gen. Hill
~~Dr. Wilson~~: I certainly think so. I think that the members of the Council will have it for thirty days or more before the next meeting, and we hope that all of the members of the Council will address themselves to it with the same approach that we have.

Mr. Jacobsen: I hope not.

Gen. Hill
~~Dr. Wilson~~: But I hope that you will clear that with John Lovejoy.

Mr. Lovejoy: I think it is only fair to say that Joe got in a few bites, anyway.

Mr. Jacobsen. I would like to say this to the members of this Council; that they will probably have it before we meet the next time.

Now, just a word of repetition: It is very important -- it is a very important document, and nobody could possibly know -- no single person and no group of persons could possibly get together with a report which will be read by all of the members of this Council and have each one of those members approve it individually and say, "Well, now; this is just exactly the way I want it."

We will never get that, but I will make the appeal to the members of this Council, when they get the report, to consider it in the light that I have just expressed, that if the principles expressed there are right, if there is nothing in it to

which they can seriously take exception, then I would plead with them to approve it and not insist that this particular phrase be adopted, or this paragraph be changed around, because we will simply never get it, and I do think that it is highly important that the industry have a document of principles that we can point to.

Now for instance, Senator Malone will have a hearing on oil matters, starting on the 18th of January. One of the points in his agenda is a national oil policy, and I do think it would be of great value to the industry if at that hearing we could go before that Senate Committee and say "Here is the policy that has been adopted by a cross-section of the industry as members of the National Petroleum Council."

Mr. Hill:
~~Dr. Wilson:~~ Jake, one thing you forgot to mention, and that was that when you send out this report, you will send it to each and every member of the Council, and you will again call your committee together, before the next Council meeting, to consider the interim information?

Mr. Jacobsen: Yes, but I would appeal to the members not to make too many interim suggestions.

Mr. Lovejoy. You made that speech yesterday.

Mr. Jacobsen: We will never get a report if everybody has to make as many objections as you made yesterday.

Mr. Majewski: Does the report deal with the public interest?

Mr. Jacobsen. The answer is in the affirmative.

Mr. Ball. I am ^{now} ^{felt constrained to} sorry I missed the meeting yesterday.

The Chairman: Thank you very much, Mr. Jacobsen, for that interesting progress report.

The Petroleum Industry Steel Requirements Committee,
Russell Brown, Chairman.

Mr. Brown, do you have a report for the Council?

^{the chairman of the}
REPORT OF PETROLEUM INDUSTRY STEEL
REQUIREMENTS COMMITTEE, RUSSELL B.
BROWN, CHAIRMAN.

Mr. Russell B. Brown: Mr. Chairman, I do not have a
report ^{of the committee} today ~~because the committee has been unable to get~~ ^{not had a meeting}
together for various reasons which I will explain.

I do have a brief ^{response} report which I would like to submit,
as chairman ~~with the understanding we have not met because~~
there have been some matters that have come to my attention
of which I think the Council should be advised.

With that statement, I will be glad to read this brief
report.

At the meeting of the Council on July 29th, 1948, I reported that there were no voluntary agreements in effect for supplying the petroleum industry's steel needs, with the exception of the freight car program which was in operation prior to this committee's report on steel requirements.

At that time, however, two plans had been proposed for the allocation of steel for surface production equipment and

for barges.

Since the July 29th Council meeting, voluntary agreements have been placed in effect relating to the following steel needs of the petroleum industry.

Steel allocated, expressed as annual rate:

(1) Oil field tanks and certain surface production equipment	198,360 tons per year
(2) Dry and wet cargo barges	240,000 tons per year
(3) Tankers	483,360 tons per year.
Total	921,720 tons per year.

The above figures are not directly comparable with this Committee's estimates, totalling 10,381,000 tons on an annual basis for all steel mill products for all branches of the industry.

For example, dry cargo barges for other than oil use are included in the above allocations.

However, it may be concluded that voluntary agreements to date affect somewhat less than ten per cent of the petroleum industry's total steel needs, as calculated by this committee.

Within recent weeks, a proposed plan covering steel for consumer oil storage tanks was rejected by the Commerce Department's Steel Products Industry's advisory committee and consideration of a plan covering bulk plant storage was postponed.

There has been continued refusal by the Steel Advisory Committee to consider any voluntary allocation plan for tubular

goods, that represent approximately fifty per cent of the petroleum industry's total steel requirements.

In connection with the steel requirements of the petroleum industry, and tubular goods, in particular, the Interior Department has taken an active part in advising other agencies of the Federal Government and urging further consideration of these requirements under the voluntary allocation program. The Council's Committee on Petroleum Industry's Steel Requirements has not been called upon officially for any advice in regard to these matters, and the Committee, therefore, has not held any meetings, since the last meeting of the Council.

The Committee has considered its authority to be restricted to that of a fact-finding group, to estimate requirements, with no responsibilities regarding any study of present problems of steel supply and distribution, or recommendation and formulation of any program of voluntary allocation.

In that connection, Mr. Chairman, we recognize the charter under which we operate is one only of preparing an estimate of needs and requirements of steel for the industry.

The Interior Department has been very helpful in trying to get these needs met. They run into some very difficult problems. Isometimes feel that it might have been helpful if they had had the support of the Council behind them on these various problems, and that is a matter on which I have awaited the action of Mr. Ball, and he has recently been very vigorous

and active in trying to get this steel out. I am sorry to report that, on the basis of information I get here, it is that the steel outlook is not as good as I would like to have it. The demands are so great and so many other industries are reaching into the stockpile, that it is going to be difficult for us to get a sufficient amount of steel to realize the program we have.

Dr. Wilson: Are you able to confirm the statement I saw in the paper yesterday, that this year the amount received ^{by the petroleum industry is more than six percent of total steel output} ~~is~~ only five per cent ~~last year~~? That statement was made.

Mr. Russell Brown: I did not check that.

Dr. Wilson: That looks as though they were really giving us a pretty good break.

Mr. Russell B. Brown: We are getting more steel than in 1947. We also need more.

here
The Chairman. Mr. Ball, I am familiar with the efforts that the Department has been making to put in an ear in every way possible to relieve this situation, and I think that in connection with Mr. Brown's report ~~that~~ you might desire to comment as to the situation.

Mr. Ball. Mr. Chairman and members of the Council: I think this thing is important enough to the industry to warrant taking a little time for a review of what has happened, because only by such a review can you get the feel of the thing, and

know what the prospects are.

I am sorry that Mr. Clifford Mahn of the Office of Industry Cooperation of the Department of Commerce, which is the agency that deals directly with the steel industry in this matter, could not be here this morning. He wanted to be, but he is ^{helping} ~~hoping~~ to conduct a hearing on steel for merchant ships, and not being born twins, he could not be at both places, and I will, with your permission, review a little bit of the history of this thing.

Remember, ^{To} that the original request ~~on~~ the Council to report on the steel requirements of the petroleum industry was made on the 21st of January and the Council approved that request and authorized the creation of a committee for that purpose on January 22nd.

The committee was actually named by the Chairman of the Council the day the Council acted.

That Committee did a terrific amount of work. That is Russell Brown's Committee, whose report was just made. That Committee did a terrific amount of work, particularly in assembling the information as to ~~the~~ actual steel requirements, how much steel the industry needed, and made its report on the 16th of ^{March} ~~April~~. That report was promptly furnished to the Office of Industry Cooperation for their study, and to get busy, ^{on}.

I made an analysis myself and came up with an analysis

which is dated April 15th, ~~in which~~, despite the outcry that had gone up from the steel industry that the petroleum industry was asking for a great deal more than was needed, ~~or that~~ ^{--that its figures were padded--} they could get, my analysis showed that if the Committee had done anything, they had under-estimated the requirements, rather than over-estimated them.

That analysis of mine, together with the Committee's report, was transmitted by the Secretary of the Interior to the Secretary of Commerce on April 26th, with the approval of the Secretary of the Interior.

Meanwhile we were getting information from another source, because the report of this committee did not cover all of the requirements of the natural gas industry.

The report of this committee, you will remember, stopped at the City limits of the gas lines and took no account of the needs of the utility gas companies for the city delivery of gas.

So the American Gas Company ^{Association} submitted a report to us on March ^{23rd} ~~15th~~, at our request, and that was submitted promptly to the Office of Industry Cooperation, and was ^{formally} ~~actually~~ sent over on June 28th, because we had ^{had a} supplementary report from the AGA in the meanwhile.

We have had many conferences ~~and everything else, incidentally~~, between the Office of Industry Cooperation and other ^{officials} departments of the Department of Commerce, and those of us

in
of Interior.

commence people
They have been in the main almost as diligent and anxious to see the petroleum industry get the steel it needs, as we have been in Interior.

are
~~Now~~ the results, to date, as given in the report Russell just gave you.

have
There is a program by which steel is being allocated for storage tanks, and separators and what-have-you, and that is a very important program, because if you do not have the *have* ~~equipment~~ *rest of them* available, you can't do much *producing*.

~~The reply was that they were just not going to be able to get anything, and the handling of that program was highly important,~~ *steel* the tank car need was already in the mill in advance -- that goes along with the freight car program, and the tank car *shops* ~~mills~~ have been getting about all the steel they need, apparently, about all the steel they can use, *are* not all the cars coming out that we would like to see, but apparently they are about up to the capacity of the *shops* ~~mills~~.

Dr. Wilson: That is primarily *LPD* cars?

Mr. Ball. Mostly, *but some of them are general purpose cars.* ~~That is a producing problem also,~~

That is and an important program, ~~and~~ then the very important program for the allocating of steel to tankers finally went through, after a great deal of argument and stress and strain, *but* ~~and~~ the steel industry is under agreement to allocate steel to the tanker program.

That is the good side of the picture, and it means a lot. I mean all of those are important, and all of them represent real accomplishment, and if the Council and this Committee had done nothing more than that its efforts would have been not wasted at all, but it leaves us short of where we would like to be, and where we should be.

The Steel Products Advisory Committee has flatly refused to consider a program of steel allocation ^{form and home} for storage. I do not have to discuss with you how important it is that that storage be provided.

They have flatly and repeatedly refused any allocation program of steel for tubular goods, and I am going to discuss that further, in a moment, and that is not only important, but critical, as to the bulk and terminal storage ^{program} ~~technically~~. They have deferred consideration for further information, but practically you can take that as being a refusal, as of now.

Now, as I ^{to} say, the tubular goods, I would like to review that at some little length.

~~The first expression we got~~ — now, ~~and you~~, until this month, we never had been allowed to talk to the steel people; we talked to Commerce and Commerce talked to the Steel Committee. But this Steel Committee is a very, very ^{exclusive} ~~brutal~~, and very very particular about who talks to them (Laughter). And so until this month we have ^{never} ~~never~~ been able to see that Committee. As I say, we have talked to Commerce and Com-

merce talked to the Steel Committee, -- the Steel Products Advisory Committee.

~~So~~ on June 11th, we got a letter from Secretary Sawyer saying that the steel industry declined to enter into any agreement for the allocation of steel for tubular goods, but the letter stated, and stated categorically, that steel would be allocated to the existing pipe mills to keep them operating at capacity through 1948 and 1949.

Well, that was all you could ask, really, because ~~they~~ ^{pipe mills} are one of the big bottlenecks in this thing, ~~one of them~~ ^{is pipe mill capacity,} and if you had your existing mills operating up to capacity, that was all that could be done.

We began to get reports to the effect that some mills were not operating at capacity. And so Mr. Krug wrote to Secretary Sawyer on June 30th and again on July 29th, saying that we had these reports -- we had not confirmed them, as a matter of fact -- it is not our business to go out and confirm reports on what the steel mills are doing, and the pipe mills, -- but just among ourselves, we did send out some interrogatories, and I learned something about what you mean in the steel industry when you talk about operating at capacity.

For instance, I have a letter here from one of the principal manufacturers of large-diameter pipe. In response to my inquiry: "Are you getting enough billets to operate

at capacity?" ~~And~~ the answer is "Yes, we are getting enough billets to operate at capacity, but if we got more, we could put on another shift."

Well, we didn't get any replies to these letters ^{the} until ^{to Sec. Sawyer} September 9th.

On September 9th we got a letter from the Secretary of Commerce, copies of which have been distributed to you. Instead of saying what had been said before, that enough steel was going to be furnished to the pipe mills to keep the pipe mills operating at capacity, it indicated or inferred a number of exceptions.

In the first place, that they were talking only about line pipe, and not about oil country goods.

Well, that made just a hell of a lot of difference.

Secondly -- and this was not stated flatly, but very strongly inferred -- that they were talking about only the integrated mills, not the independent mills, ^{but} only those mills which are integrated with the steel companies, but ~~still~~ that does not make so big a difference in the percentage, because most of the independent mills are small, ^{but} ~~in~~ ^{would be material} the aggregate, ~~even~~ if they were operating at capacity, but we were getting reports that some of these independent mills were not getting anywhere near enough to operate at capacity, ^{and} finally, even limited only to integrated mills and to line pipe, the letter from Secretary Sawyer said that the Steel Production Advisory Com-

mittee still refused to enter into a voluntary agreement to allocate that much.

Well, at that point, Assistant Secretary Davidson, who was acting as Secretary -- Mr. Krug being away -- and after consultation with Mr. Krug, by phone, sent to the Secretary of Commerce a letter, of which you also have copies, and I think you will agree, when you read it, that it is a letter of a good deal of force and straightforwardness.

The letter posed the question squarely and flatly: Does the steel industry intend and want me to report to the petroleum industry that the steel industry refuses to enter into any agreement to allocate steel for ^{tubular goods?} ~~public need?~~ As a result of that letter, we finally got the chance -- I was about to say to talk to the Steel Production Advisory Committee, but I think perhaps it would be more accurate to say that we finally got a chance to be permitted to sit in and be present at a meeting of the Steel Products Advisory Committee, because every time we started to talk, we were interrupted. I never have attended such a meeting in my life. ^{Secretary} ~~Mr. Davidson~~ ^{was there} ~~went over,~~ and he read them ~~this~~ ^{an} letter, to Secretary Sawyer.

Both he and I put up ~~the~~ -- or tried to put up ~~the~~ ^{an} argument for a voluntary program for these storage programs and for tubular goods.

We encountered what seemed to me to be a flatly negative

attitude. The Steel Production^S Advisory Committee -- or a number of its members -- said they didn't think that Public Law 395 should be extended, that they didn't think that there should be any allocation, voluntary or involuntary.

One of their spokesmen, and a member of that Committee, has made a public speech in which he said the voluntary allocation program is un-American, if you can figure that one out -- I don't. We were tossed a lot of meaningless ~~sen-~~^{excuses} ~~ences~~.

Now, mind you, I think the steel industry has a lot of ~~reasons~~^{reasons} ~~allocations~~, they are up against a toughie, they simply haven't got the ~~flat~~^{plate} capacity and, as they pointed out, the program as already entered into obligates a pretty fair percentage of their ~~flat~~^{plate} capacity.

That figure has been stated by some as being thirty per cent and by others fifty per cent. What it is, I do not know, but it does obligate a very fair percentage of their ~~flat~~^{plate} capacity. I think they have reason for being cautious in their commitments to any further allocation program.

~~What~~^{What} ~~is~~^{is} I want to say, that at that meeting ~~I~~^{we} didn't get ~~the~~^{the} reasons; ~~but I did get some of the sense of it, but~~^{what we got were excuses} the oil companies tell us there is plenty of oil, "nobody is worried about oil," -- that is what they said, that there isn't any oil shortage, or any danger that the oil industry is in difficulty,

they are drilling more wells than they ever expected, and ~~more are coming in, and~~ ^{of that sort of thing} ~~and~~ they were just absolutely undisposed to listen to any argument we had to present, with the result that they again refused to give any consideration to a program for tubular goods.

I do not know how many of you know Secretary Davidson, but he is very much of a gentleman, a ^{rather quiet person,} ~~very white chap,~~ but ~~the more he~~ ^{the madder} ~~knowing how he~~ thought about that meeting, ~~and the impression~~ he got, the result was that while I was away, and with the connivance of Bob ^{Friedman} ~~Fellis~~, he wrote a letter, he got the approval of the Secretary of Commerce to do it, because, after all, the Steel Products Advisory Committee is the creature of the Secretary of Commerce, and not the Secretary of the Interior, ~~and~~ he wrote a letter to every member of the Steel Products Advisory Committee, ^{which} and copies of ~~that~~ have been sent to all of you and if any of you haven't received copies, I have a few here that I can give you, ~~I can let you have~~ them, in which he put it to them very straight and very forceful, ^{by} perhaps in a few sentences a little more forcibly than I would have done if I had been writing.

Now, what the result of that is going to be, I do not know. My first reaction when I got back and learned about it

was that this would make them more stiff-necked than ever, but

I am beginning to think otherwise

~~I might say~~ I saw a couple of those people the other day

-- I was calling ^{ed to Sec. Davidson's office to meet} on some of the industry, and one was a Vice

steel

President of the United States Steel Company, ~~and~~ he put up some of the same excuses and ^{even} ~~advanced~~ some of the reasons against a program, but his attitude was entirely different than that of the Committee ~~the~~ the day we met with them, ~~and~~ since then Secretary Davidson has received a stack of letters back from the Committee, most of them indicating at least some disposition to give the matter some thought, and not just toss the thing aside.

There was a complete change of attitude from that shown at the meeting, and I have an arrangement for a meeting with two of the Vice-Presidents of the United States Steel Company this coming week, and would have been having it today if it had not been for this Council meeting, and we may get somewhere on this thing, I don't know, but I do think we have a glimmer of hope, and Secretary Sawyer, who is just as earnest in this thing as we are, has indicated that he is going to call the steel production ^S ~~advisory~~ committee back together some time within the next ten days or two weeks, and we may get a chance to take another slash at them, but how it will come out, I do not know.

I am speaking in the presence of representatives of the Department of Commerce, and if I say anything that is not ^{accurate} ~~true~~, I hope that they will correct me.

The fact that we still have at least a little toe in the crack and still some chance for argument for an agreement on

tubular goods leads me to suggest this:

Russell, in his report, has referred to the fact that his committee has felt that its duties were confined to finding facts.

Technically, I think that that is true, but further, on that, I have gone back to the terms of reference to the committee, as given in the minutes of the Council, and I think they are a little bit broader than that.

I would suggest - and I do not think this is a thing that needs to go to the Committee on Agenda, ~~or~~ for any formal action, but I would suggest that the Petroleum Industry Steel Requirements Committee be authorized by the Council to present its facts and its arguments to whomsoever it may be, the Department of Commerce ~~or~~ (now, informally, the Department of Commerce has been consulting Russell. It has not been out of place at all. You know, *we do not stand on protocol, and don't* ~~they like to meet Russell, and~~ *worry a bit* ~~I wasn't a bit worried about whether they go through channels or not,~~ *things* ~~but I would suggest that Russell's Committee be authorized and instructed to make submission direct to the Department of Commerce or to the Steel Products Advisory Committee or ^{to} the steel industry itself, or to anybody else that *will advance* ~~they have over there,~~ the cause of getting some additional steel allocated for petroleum use.~~

Russell's association, or rather, the association of which Russell is General Counsel, the Independent Petroleum

adopted a Association/resolution the other day, which reads that the Secretary of the Interior be requested to refer to the National Petroleum Council for its study and recommendation, the problem of shortages, ~~experts~~, and ~~mill~~ ^{mal} distribution of mill materials. ^{exportation}

When that came to us I wrote two letters. I wrote Russell a letter - he was out of town, so I could not communicate with him directly, - and pointed out that a large part of that ^{subject} had been covered, or at least I thought it had been covered, by the ^{Parsons} present committee and by Russell Brown's committee, and that as to the uncovered part, there was a disposition to get behind it, and that if he would clarify the question as to just what further he thought should be done, and submit it as a ^{personal} ~~part of the~~ recommendation, ^{as a member of} ~~to~~ the Council, I would consider it immediately, and I didn't say so, but what I meant was that I would approve it for submission to the Council.

Then Russell and I talked about it on the phone and the result is that in his opinion the purpose of the resolution would be served if his committee were authorized to do what I have just suggested, namely, to make direct representation as to the ^{petroleum} industry's needs and means of ^{meeting} ~~servicing~~ the program, and the problem of additional steel for the petroleum industry.

~~Regardless of that I do state definitely that~~ I would be highly in favor of that enlargement of the purpose and duties of Russell's committee, ~~because~~ I do not know whether we can

get a chance ^{for them to} ~~at them~~ and talk to this steel committee or not, ^{because} and, as I say, this steel committee is awfully careful about whom they will ^{hear} ~~answer~~, ^{but} and I would like to have Russell and some of his associates have a chance to talk to that bunch of birds, and I think they would do the steel men some good, and maybe it would have more effect than Secretary Davidson and I ^{have had} ~~would~~.

Mr. Chairman, I believe that is all.

^{Mayer} Mr. ~~Lovejoy~~: Mr. Chairman, I am greatly disturbed about this, because we have today in the industry individual units.

My company has been trying to get steel for 250,000 barrels of ~~un~~kage. We have been waiting for that pipe now for sixty days.

A quarter of a million barrels of storage is being delayed in the Chicago area at the present time. We can't get the pipe. I know how I can get it, but I dislike doing it that way. The way to get it is to put a fire under the people, and what we have got to do is to go to one of these Republican Committees, and they ^{should} ~~would~~ be tickled to death to hold a hearing.

At one place there is a need for ^{valves} ~~barrels~~, but you can't get the ^{valves} ~~barrels~~. They have been ordered two and a half years ago.

Now, it seems to me that instead of us running down to see our friend Senator Wherry and other people, that this oil

industry is strong enough to talk to the steel people. Why don't this Petroleum Requirements Committee talk to our friends of the steel industry? We have a common interest, it seems to me, and if we have the legal ^{right} side to do it, why doesn't the Petroleum Requirements Committee meet with those members of the steel industry, and give them all, or don't give them any? It seems to me that this is a practical point, and I would like to suggest that maybe we are getting too many committees. Maybe we ought to have just one committee that can meet regularly with the steel people and determine whether we can complete a job when we once start it.

I do not know -- I see my counsel disagrees, but if we are going to be effective, if we are going to do this job, we ought to go out and talk to these people freely and frankly about it.

The Chairman. Mr. Hill?

Mr. Hill. I think everybody knows what I am going to say, but for purposes of the record, I think it needs to be said.

I have been very much impressed with Max's very fine interest in this matter, but all that a committee of the Council can do under the rules laid down by the Government in organizing, is to advise the Council, and when the Council adopts their recommendation, that is made to the Secretary and to the Director, and they are the agents that solely are

, we should not do

first thing we know we would

governmental constituted agencies.

is particular matter, your letter

Sanan
Hilton reads as follows:

Executive Order No. 9819, the authority of the
Public Law 395 with respect to priority,
inventory, ^{control} either of scarce commodities
affect the cost of living or affect
more than agricultural commodities and trans-
portation and equipment, is delegated to the

charged with the responsibility in government of making

representations to other governmental agencies, and acting with

them.

Now, I think that that really presents no difficulty,

because the members of the committee in their individual

capacities, and in their representative capacities, or through associations and organizations, are always available and in-

terested in supporting the position that you would take, con-

sistent with these recommendations.

We could not, without doing violence to the whole set-up

here, invoke the aid of a committee of this Council in making

direct representations to other agencies of the government.

We must channel through the Committee in response to your

request, and no matter how you or we would like maybe to re-

late the point, or wanted to do it we should not do it, be-

cause in the first place the first thing we know we would be

unable to meet with these governmental constituted agencies.

In connection with this particular matter, your letter

of January 21 to Mr. ^{H. H. Hutton} Hutton reads as follows:

"By Executive Order No. 9919, the authority of the

President under Public Law 396 with respect to priority,

allocations and inventory, either of scarce commodities

which basically affect the cost of living or affect

production other than agricultural commodities and trans-

portation facilities and equipment, is delegated to the

Secretary of Commerce. The Secretary of Commerce has informed the Department of the Interior that he will look to it for advice as to the needs of the petroleum industry for steel and other materials and equipment. The ability of the Department of the Interior to advise the Department of Commerce intelligently will depend upon its receiving adequate information and advice from industry. I therefore request that the National Petroleum Council provide me with the --"

and so forth.

"-- in order to further the purposes stated in Section 1 of Public Law 395."

Now, then, you are perfectly free to call the members of the Council, or members of the industry, anybody else, to come in and pound the table, and everyone is available to help, and you have what great assistance ^{we} ~~he~~ could give you, and I tender you Brownie.

Mr. Lovejoy: I think there is a great deal of confusion about this subject.

I have been trying to make a real expert out of myself the last few months, and I for one was very much confused, and I want Mr. Ball or Mr. Brown, -- I wonder if they can straighten me out.

It is my impression that the pipe capacity of the country is a certain fixed amount, and the capacity of billets and

blooms to convert into pipe, if those things are in balance, you would get a true allocation of raw materials, of the billets and blooms, -- I don't know whether you would come out with any more pipe -- and if we haven't got the figures in any of our committees, or if you haven't got them, it seems to me that the first thing we ought to do is to find out from the steel industry or some other source what the capacity of these different products is or was.

We had an opportunity, recently, to buy some billets, and the only way we could get them drilled or rolled was to send them to Canada and get them processed up there, and then they would come back and be rolled and converted, making three operations.

Now we know, recently, as you all know in this room, that there is a lot of this round pipe being made. I think probably the reason the steel people refused to allocate or go into an allocation plan is that at a certain place in the process they could not make use of all the facilities that are available, because they had to move the material around from one plant to another.

As I say, I am very much confused about this whole thing, but I do not know yet what good you would get out of an allocation plan, if they were willing to put it out. Have you got figures of steel capacity, of the different parts that wind up in steel pipe?

Mr. Russell B. Brown. We have no figures *as to Capacity*

Mr. Lovejoy. Those figures would be available, wouldn't they, if we met with the steel people and told them that we wanted to know what we are talking about, we wanted to be in a position to say what it is that we want?

Mr. Ball. They did not get to the point of asking us that question. They brushed us off before they ever got to that. They were not interested in getting information, and all that has been proposed generally is an agreement to allocate enough pipe to the existing pipe mills to keep them operating to capacity.

Mr. Lovejoy. They *send* *to* ~~don't like~~ pipe and pipe mills, and don't allocate pipe to pipe mills.

Mr. Ball. *That* They allocate enough raw material, *that* means billets and flats and rounds and blooms, *that they* and allocate enough raw material to the pipe mills to keep the existing pipe mills operating to capacity.

Mr. Lovejoy. That means an overage, in many cases.

Mr. Ball. No.

Mr. Lovejoy. Yes, the things are not in balance, because they have got to move it from one plant to another.

Mr. Ball. But not short.

Mr. Lovejoy. We do have the problem of shortage -- some of the steel mills.

Mr. Ball. I would suggest two things:

I think that George Hill is right that we can't ask the Council Committee, as a Council committee, to do something, or some of the things we would like to see done, and I also think that the Committee - and I am certainly going to avail myself of it, if there is any chance to get a presentation either before Commerce ^{or before the Steel Committee} ~~I think Commerce is almost~~, we don't have

If there is a chance to worry about Commerce, they are considerate of this thing. ^{Petroleum} to get a presentation by industry representatives before the Steel Committee, and then we will call on Russell and the members of his Committee as representative gentlemen that we have picked out of the petroleum industry, and I am going to tell you that we are going to make an effort to get an opportunity for just that to be done, and then second ^{and if} there is a chance ^{before we} ~~in between~~ to meet them ^{again} over there, ^{at Commerce} and *to* make a further study, and ~~it seems to me that~~ if we need any additional information, it is ^{not} too late to come back to you with a formal request that the committee be asked to get together certain additional facts -- and as I understand it, you don't have to, ^{Mr. Chairman, you wouldn't have to wait until} before the next Council meeting ~~to~~ ^{you do} not have the time ^{to refer it to the Committee.}

The Chairman: This is a continuing committee.

Mr. Russell B. Brown: Mr. Chairman, in that connection should the Committee want to go before the steel group, they might very well ask me "What do you propose?" Then I can't state as Chairman of the Council Committee, I can't speak on

*edit by
R. B. Brown*

that as Chairman, because there ^{I am limited by my authority} ~~is stop~~.

It doesn't take any great deal of study along that line to know that there is an out-of-balance ^{in the} operation ^{of} the steel situation. I think it is due to the - as suggested here - ^{to} the lack of determination, I do not know any objection against them saying to us what is a proper price. I know of no one in the oil industry who is unwilling to pay that, but I do know any number of people who have the capacity to make pipe and who cannot get the material.

~~Now~~, ^{that} information comes to us as an incident of our work. We have made no effort to collect that and study it, because that is not within our function, but everything has been done that could be done from that on.

Any number of these people come to ^{me} ~~be~~ and tell me "Yes, ^{are running} we have one shift when we could run four, we have two shifts when we could run four, but we can't get any steel at all."

There is a little plant now out in California that wants ^{the} ~~that~~ kind of pipe ^{Bowling refers to} but they can't get the material.

There is some kind of unbalance that is not ^{reported} ~~true~~ in their ^{statement} ~~mixing about~~, but I find they are very careful to preserve

their interpretation of what the capacity is ^{They speak only of} ~~and~~ the integrated mills, but the fellow that does not happen to be ^{one of the larger groups} integrated with United States Steel or Republic Steel is just ignored in these figures, so these figures ^{which} ~~that~~ they tell you about capacity are just not any good. ^{Anyway}, they do not

give you the whole picture.

They have given us some information, ^{as to production,} but they are taking ^{conversion methods,} into calculation all the daisy-chain ~~works~~, ^{and} ~~and~~ ^{and} ~~Somebody~~ calls me, and says that "We can sell you 50,000 tons more or less of pipe, ~~enough~~ ^{but you will have to} for 5-1/2 inch casing, ^{and make it up,} and I have got to pay for it, but they ^{require you} have to go through all this daisy-chain method ^{of conversion before you get your pipe.}

Now, ~~that~~ ^{That} isn't an industry program, and I don't think it fits ~~in~~ ^{into} very well with the management ~~generally~~ ^{generally}.

We will sit in and sit down with industry, but they ~~just~~ won't talk to us.

The oil industry problems they won't talk about. They make up their own minds, ^{They say,} and they say ~~the small mills,~~ "We have got all of them in ^{so} so you don't need any more steel," and there is ~~just~~ a lot of difficulties of that kind.

Dr. Wilson: On both this problem, and our own committee's problem, what is your feeling as to the extension of this law beyond ^{March} ~~November~~ 1st? We are getting up pretty close to the expiration date of the law, and I wonder what the outlook is, or what the prospects are?

Mr. Ball: First of all, that gets into the realm of prophecy, but I am inclined to think the outlook is good for an extension of Public Law 395. If I did not think so, I would certainly not recommend all this action now, because it would mean that we could not get it through in time.

Now, it is true that at least three members of the present steel products advisory committee say that they are against ^{it} -- "We are not in favor of any extension," -- but I think that the influence of the steel people is not sufficient to keep it from being extended.

It has worked too well for it not to be extended, and the outstanding example is oil.

The Chairman: I think the benefit that has accrued to the public generally is of sufficient weight that it will be renewed.

Mr. Majewski: I think we ought to have a canvass of the whole industry. There are some people in the industry that do not think it ought to be.

The Chairman: I express what I think will happen in the light of what has happened to the public.

Mr. Majewski: I think we ought to have a canvass of the industry.

Mr. Wilson: The steel industry, I think, is very doubtful as to whether they want to continue it.

The Chairman. I think that is true.

Mr. Becker. Have you any figures on the export of tubular goods for last year and to date, this year?

The Chairman: Mr. Brown?

Mr. Russell B. Brown: We have some figures. The last figures on export of steel tubular goods covering the first ^{eight} months of 1948 exports totalled 277,879 tons, or an annual

rate of about 415,000 tons yearly.

This compares with an annual shipment of 334,000 tons in 1947 and 180,000 tons in 1946.

The principal areas receiving this pipe were Venezuela and the Middle East.

Shipments to Venezuela totalled 165,000 tons, as compared with 163,000 tons in 1947, and to the Middle East of 150,000 tons per year, as compared with 1947 export of 52,000.

The Chairman. Mr. Brown, your report is offered as a continuous report from your committee. I take it it does not require any action?

Mr. Russell B. Brown: You notice it is not a report *of the Joint Committee*

The Chairman: Yes.

If there is no further discussion, we will pass to the Government Royalty Oil Regulations Committee, Mr. L. F. McCollum, Chairman.

Mr. McCollum, I might inquire, -- I am aware that you have had some difficulty in getting your committee to a meeting, and therefore have not prepared a report, but notwithstanding, I think you might give the Council the benefit of what you have done and what you have not done, and where you are.

REPORT OF GOVERNMENT ROYALTY OIL
REGULATIONS COMMITTEE, L. F. MCCOLLUM,
CHAIRMAN.

Mr. McCollum: Mr. Chairman, it is now after twelve o'clock, but I can give you a statement of what has been done.

If you had not given me a committee, I would have had the report finished a long time ago.

We had a meeting, but the problem is a very tough one. The last report, ^{was} in July, and since that time there has been a sale of Government oil, and I believe that the problem is important, and that there should be a report.

The Chairman: All right, Mr. McCollum, we will leave the problem with you for future consideration.

Mr. Ball. The Department was so thoroughly convinced by discussion within the Department, and by what it had had presented in this ^{committee} interim report, ^{at the meeting} last time, ^{regulations} that the ~~request~~, ~~as they said~~, should be modified, that without waiting for approval of the ^{report} ~~request~~, or without waiting for the final report of the Committee, ^{they} ~~we have~~ decided to go ahead and try out this present ^{sale} ~~plan~~, that is ^{now} going on, - that has been going on for months - without ^{amending} ~~approval~~ of the ^{regulations} ~~request~~.

Now, that does not mean that the door is closed at all for the consideration of any further report that Max's ^C Committee may submit.

When ^{Max's} ~~that~~ Committee does submit a report, its recommendations will be given full consideration, once they are turned in, and then the ^{regulations} ~~recommendations~~ will be crystalized into form.

Now, Mr. Duncan ^{of the Geological Survey} has had a whole lot to do with this thing, and he is here, and I suggest that he tell you what has been done.

The Chairman: Mr. Duncan.

Mr. Duncan: Mr. Chairman, as everyone in the room knows, everyone from the Department, and as many of you gentlemen probably know, we have had a difficult time to write a regulation that suits everybody, and frankly the reports of the Committee so far have not added a whole lot to what we had in the specifications, and we hope that we are -- that what we are trying out may meet some of the objections. Just how we will arrive at the critical determination or otherwise, may be obtained from probably fifteen or twenty or possibly thirty recommendations, but I think we will have a good ^{regulation} ~~recommendation~~, but it is a difficult think for administration, so far as we are concerned.

If anyone has any good ideas, different ideas, rather, about it, we would like to have them.

The Chairman: Thank you, Mr. Duncan.

Dr. Wilson, have you a report to make to us informally on ~~the~~ Petroleum Refining Capacity?

(Report of Petroleum Refining Capacity Committee, Robert E. Wilson, Chairman.)

Dr. Wilson: I might say that my committee has never had a disagreement. Of course, ^{our job is to} we consider ~~the~~ facts, ^{not} but ~~the~~ policy, ^{and} we recognize ^{the difference} ~~and~~ we have agreed upon a form of questionnaire which has gone out to all refiners. We expect to be able to make a report on ~~the~~ Petroleum Refining Capacity

eighteen months ahead, as of the next Council meeting, unless something unforeseen occurs.

I would like to have each of you to make use of -- or whichever of your committees are filing additional data, -- that you do so promptly, and I might say that the report that we gave you in July will be supplemented by what information we now have, with reference to the particular pipe industry, and that report that has resulted in a somewhat higher effective capacity than would have been indicated by the earlier report, and so it is the thought that we make the new report, and this would give us a fairly clear look ahead for eighteen months.

The Chairman: Any questions in connection with Dr. Wilson's report on ~~Petroleum Refining Capacity~~?

You will have the report for us at the next meeting?

Dr. Wilson: I expect to.

Again
~~Now~~, Mr. Vandever ^{Corn} is the man who is doing most of the work.

The Chairman: Gentlemen, we received a request some months ago from the Secretary of the Interior for the appointment of a Committee from the Council to report and recommend certain emergency measures in the event that the country should face a military crisis. I was anxious to secure Mr. Brewster Jennings as Chairman of this Committee, but at the moment he was not in a position to accept the designation, but having

in mind that he probably would be available at a later date I withheld the appointment of the committee for a short time, and did prevail upon Mr. Jennings to accept the chairmanship of the committee.

The committee has had some informal meetings, and I think has prepared a tentative draft of the report, which ^{is} ~~was~~ to be considered at ^a ~~the~~ meeting in Chicago, and I should like Mr. Jennings, if I may, ~~to~~ call upon ^{him} ~~you~~ to inform the Council as to the program and the progress that ^{he has} ~~you have~~ been making, at this time.

REPORT OF NATIONAL PETROLEUM EMERGENCY
COMMITTEE, B. BREWSTER JENNINGS, CHAIR-
MAN.

Mr. Jennings: Mr. Chairman, there is little that I can add to what you have said.

We have had one committee meeting at which we had possibly half of the members present, and we discussed this report in a general way, and I think had practically ~~had~~ a meeting of the minds.

We have formed a small sub-committee to draft a report, and that committee met about two weeks ago, I should say, and we have now in the hands of all of the committee members a tentative draft of the report.

You have one, also Mr. Ball has one.

The Chairman: Yes.

Mr. Jennings: And we have got a meeting scheduled for

Chicago on November 9th, and I hope that as a result of that meeting we will have the report in substantially final form, and it will certainly be available to the Council at the next meeting.

The Chairman: Well, I am wondering, in that connection, that as it is an important report, I am wondering if we might follow the same procedure as Mr. Brown employs, *Jacobsen proposes to circulate the report to* as to the members of the Council after the Committee has reported?

Mr. Jennings. I would be very happy to do so. Is it your thought, Mr. Chairman, that we might send out a copy of what we now have?

The Chairman. No, I think it should be finished by your own committee.

Mr. Jennings. I will be very happy to do that?

The Chairman: All right.

There is also another committee that is outstanding, which the Council has authorized, that is to deal with the problem of organization man-power, industry man-power. I have given a great deal of thought to it, and have attempted to secure the services of a man who has had experience in dealing with this problem, and I want to announce to the Council today that I am going to appoint Mr. Vandever as Chairman of that Committee.

He has agreed to undertake the job, and the other members of the Committee will be announced in due course. A report

from that committee will be available at the next meeting of the Council.

Now, Mr. Bruce Brown, Chairman of the Military Petroleum Advisory Committee.

REPORT OF MILITARY PETROLEUM ADVISORY
COMMITTEE, BRUCE K. BROWN, CHAIRMAN.

Mr. Bruce K. Brown: I ~~have~~ ^{have no formal} report, Mr. Chairman. We ~~have adopted~~ ^{attached} what we believe to be the problem of fueling a war if we have to fuel one.

We are going to have a meeting in this room tomorrow. We have a number of committees that are actively at work on the problems which have been assigned to them.

There are just two things that I would like to mention. One of them is going back to steel.

We have been trying to guess how much steel the industry would need in the event of a war, and I know of no better way to guess that than to first find out how much the steel industry needs in peacetime.

Mr. Russel Brown's Committee collected data on the, what you might call, the desires of the industry for steel, which, as Mr. Ball has pointed out, is not the same as what they have got, so with Mr. Ball, and Mr. ^{Benedum} ~~Vandevern~~, who is not here, we are going to make an effort to find out how much steel was actually used by the industry in 1948, and then guess how much the steel requirements would be in the event of war.

I will not mention it to you now, ^{but} ~~because~~ ^{Bened} Mr. Vanderveer and his associates may ask you for help, for help from some you, and I hope that you will cooperate with him.

The other thing I would like to mention, I think that the National Petroleum Council and members of it well understand what we are trying to do in the Committee.

Seven of the members of the Committee are members of the Council and there are ten other men from the industry on the Committee, but there continues to be confusion in the minds of the public, which perhaps is not too important in this case but also some agencies of the Government, about the relationship to ^{the Council} ~~steel~~ of our activities, so I would like to suggest again, on behalf of my Committee, because I have discussed with them many times, and I know how they feel about it, that we ~~wish to~~ ^{and which are of a confidential nature and which therefore can be considered by this Council.} confine our activity in every instance to things which the Government desires to have worked on, ~~and not be working on any miscellaneous items.~~

We shall try to work on ^{such specific types of} specific information and not anything else.

Thank you.

The Chairman. Thank you, Mr. Brown.

Mr. Ball, do you want to add anything to what has just said?

Mr. Ball: I want to say that Bruce has just made a report from a body that no longer exists, and

a Board.

Petroleum
The Military Advisory Committee, ~~as has been stated~~, has been supplanted by a new ^{secretarial} order, and is now the Military Petroleum Advisory Board, ^{so} and don't let Bruce talk about his Committee any more -- he ^{has} ~~is~~ a Board.

Mr. Bruce K. Brown: Thank you.

Mr. Ball: That was done for two reasons:

(1) ^{One} ~~The~~ reason ^{was} that this committee had sub-committees and panels, and some of the sub-committees had sub-committees and it got too complex.

But the main reason was that this committee had proved itself of such importance that it deserved to be called a Board, rather than a Committee, so it is now the Military Petroleum Advisory Board.

The problems and powers of this Board have been considerably enlarged, and the members ^{have been} ~~are~~ working ^{really} primarily ^{on problems posed by} ~~for~~ the Armed Services, ^{Pet. Board, the Oil & Gas Division, & these} and ~~to that~~ has now been added a third. ^{now} the Board works for the Armed Services, ^{Pet. Board, the Oil & Gas Div.,} and ^{Resourced} National Security Board. ^{term of service} The ^{members} personnel of the Board has changed ^{to a specific time} a number of times.

The way it was, a man put on there might think he was a member of the Committee for the rest of his natural life, and now the members of the Board are appointed for a specific time, not exceeding three years, - part for two and part for three - so that ^{if} the Board, half of the membership will expire each year,

beginning two years from now.

The Chairman: Mr. Page, I think it probably desirable that we withhold your report until the afternoon session, when we expect to have Admiral Foster here.

Is that agreeable with you?

Mr. Page: Yes, sir

The Chairman: Gentlemen, unless there is some other matter which the members would like to discuss at this time, we do have a few minutes yet, but if not, I would suggest that we recess until two o'clock.

(There was no response.)

(Whereupon, at 12:30 o'clock p. m. a recess was taken ~~In the above-entitled matter,~~ to reconvene at 2:00 o'clock p. m. of the same day.)

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AFTERNOON SESSION

(Whereupon, at 2:15 o'clock p.m., the Council Meeting reconvened.)

The Chairman. The Council will please come to order.

Gentlemen, I would like to present at this time Mr. Howard W. Page, to present at this time the report of the Committee on Military and Government petroleum requirements.

Mr. Page. In the absence of Colonel Drake, I have prepared another report on the requirements and the commitments for the first half of the fiscal year, that is July to December of this year, and the latest requirement estimates for the first half of next year. The next calendar year. This is not a report of the committee. It is a report to the committee.

The first statement shown here, statement 1, shows ~~as~~ military requirements and ~~the~~ firm commitments as furnished us by the Armed Services Petroleum ^{Purchasing} Procurement Agencies. *Re*

You will note ^{that} in total the requirements and the commitments are practically identical. I think it is well to mention that while some of these requirements appear to be higher than the actual commitments, the requirement figures are made up by the services themselves and the actual procurement is done on the basis of the needs as they arise, as time goes on.

In some cases it may be over-estimated at the beginning

of the period.

I understand the commitments, as they stand today, aside from any special stockpiling while less than the original estimates are adequate to meet the military requirements.

Statement number 2. This statement shows the requirements for the coming fiscal period January to June, 1949, A total amount of requirements almost identical with the estimates for it, and with the supply that has been furnished over the six months' period ending in December.

I think the only particular point to note is that aviation gasoline in total, is somewhat over a million barrels less than ^{the} figures ^{of} and actual supplies for this six months' period. Those figures, as I understand, include the requirements for the Berlin Airlift, if that is necessary over the period.

In other words, they do not include any special stockpiling which I presume may be discussed as a point later on. I just want to make that clear, that there is ^a ~~the~~ possibility of added requirements for aviation gasoline, not for consumption, but for stockpiling.

Now, in regard to these requirements it has been suggested that the companies get in their offers as soon as possible. I would like to suggest, personally, that each of you ask your people when you get back to get their offers into the ^{Petroleum Purchasing} Armed Services ~~Procurement~~ Agencies just as soon as possible

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for them to do so. In any case I would like to set a deadline of November 15th, as a time when we can analyze the offers to see if any further requests will be needed of the industry.

With the improved situation as regards supplies, it is hoped that there will be adequate offers come in by November 15, to take care of all of these requirements, and we wish to avoid the situation which happened in June, where there was not enough motor gasoline offered at the end of June to take care of actual July shipments and they had to go out and get special offers on very short notice which put a strain on some individual companies who were willing to help on that.

I would like to personally make the plea that everybody try to get their offers in as soon as possible so they can be analyzed and the right steps taken if any are necessary after they are in, and before we come up to a dead-line on actual shipments.

I think that is all the comments I have. Then --

The Chairman. Are there any questions for Mr. Page?

In other words, the situation is very good?

Mr. Page. Yes.

The Chairman. Thank you very much.

Mr. Ball. I just want to say something about your next speaker before he speaks.

The last time Admiral Foster was before you, he was

~~was~~ talking ~~and talking~~ about a great urgency: About the needs of the military and the fact that those needs would have to be supplied. *Despite his urgency* ~~Since that time, and by the way,~~ I think that all of us got the impression that in Admiral Foster the oil industry had a friend.

Since that time he has demonstrated that fact. He has shown he is a friend of the industry, and has shown his confidence in the industry. ~~But~~ since our last meeting, as some of you may know, there has been a strike out on the West Coast, and when that strike was called and for some weeks thereafter it looked as though military supplies might be very hard hit. As a matter of fact, the lifting of a considerable number of military cargoes has had to be deferred for a time. For a time it looked as though that deferment might have to be indefinite.

It was possible that the military might not get the supplies on which they had counted on the Pacific Coast.

Now, any of you who have been around Washington very long, or very much, can imagine under those circumstances how much pressure there was from many quarters. Some of the top brass in the military, some of the brass not so far up, and a lot of the brass -- a lot of whatever the equivalent of brass is in civilian agencies, *clamored for somebody* To immediately do something about the situation. -- Invoke the aid of the White House. Have an emergency declared; Requisition supplies;

All sorts of things were proposed.

Admiral Foster, and his executive officer, Colonel Cotulla, sat pat and rode that out, and said, "No, the industry tells us they are going to be able to work this out, and we know the industry is going to do its utmost to do it." We are not going to rock the boat ^{or} ~~and~~ advocate any drastic action ^{do} ~~or~~ anything that might interfere with the industry's own efforts, or make the industry's own path more difficult."

B It was ^{not} an easy course to pursue, because the ~~A-1~~ ^{you} ~~it~~ could have gone wrong. They could have been caught and Admiral Foster could have caught a great deal of criticism. But it is the course they pursued. If there is any better demonstration of confidence I don't know what it could be.

The Chairman. Thank you, Mr. Ball.

I think that all of us who were here at the last meeting will recall the very challenging, and realistic language which Admiral Foster used in addressing us on that occasion. He really put it on the line. I think everyone here was impressed with the urgency of the military requirements situation. ^{When} "I saw him this afternoon, I said, "Admiral, you are looking a whole lot easier." He said, "He was feeling a whole lot easier."

We are glad to have him come back in October and review what has happened, because I think it represents a ~~general~~ genuinely great tribute of cooperation which the industry

has given him, because of the challenging message he brought us last summer.

I take pleasure in presenting Admiral Foster, Chairman of the Directorate of Armed ^{the} Services ^{Petroleum} Purchasing Agencies, United States Government.

Admiral E. D. Foster. Mr. Chairman, Mr. Ball, and I speak advisedly, my friends.

I am placed now in both an enviable and an unenviable position. Unenviable because everything practically that I had included in my notes to tell you has already been said, and likewise enviable, because after all is said and done, it is a privilege indeed to come before such a distinguished body of most cooperative men, both individually and collectively.

What your Chairman has said is quite true. When I appeared before you I did give you a challenge. I did lay it on the line. I did not mean to have my remarks interpreted however, as being in any way such as to lay it on the line in a manner of a threat. As some of you know it was ^{so} reported in some quarters and the story grew as most stories grow, I was finally portrayed as a champion ^{of the military} who threatened the industry. I think that whatever threat was embodied in my remarks, certainly was self-imposed by you upon yourselves.

I did mean to give you then the seriousness of the situation, explaining exactly what we were up against, and too,

to present, as your Chairman has stated, a challenge, which I am very happy to report has not only been accepted but has been met in total.

When that challenge was made, ^{it} which was not insignificant in any respect, (the challenge to supply in a six months' period the total of 48 million barrels of product, is ^a serious ^{and} was then a serious matter. I do wish you to consider me as one of your collaborators; better still I would like to have you consider the organization which I represent, perhaps I should say the activity which I am privileged to represent, a part with you in the solution of a very critical and a very important problem, which in these times I am sure you all realize without further ^{explanation} ~~implementation~~ on my part as a matter of national importance. It is of vital ^{importance} ~~it~~ ~~is a vital situation~~ to our defense to know that our petroleum requirements will be met by a patriotic group of men such as you here represent.

This problem of drafting requirements ^{and} in meeting those requirements is a recurrent one for us and for you. As our friend, Howard ^{Pose} has told you, we have given you requirements that must be met during the next six months' period, from January to June. They are the best estimates that we can now give you. I think you should plan to meet those requirements and consider them as minimum operating requirements ^{and} that is exactly what they are. They do not represent any stock-

piling requirements. As has been indicated the total is a little bit less than for the current period. 48 million ^{barrels} for the current period; approximately 46 million for the period January to July next year.

The preliminary breakdown shows aviation gas ^{100/130} ~~130~~ requirements will be reduced about 1 million; ^{gas} Motor gas there is an increase of approximately 1 million; Navy Special and over-all reduction of approximately 2 million.

I think that ^{the importance of} an early submission of your offers cannot be stressed too strongly. I presume that early submission will help you in your planning, the allocation that you yourselves have set up. ^{between} The military on the one hand and civilian economy on the other. I presume that prompt submission of requirements on your part will help you to plan your production runs. It certainly will help us in ^{our} planning and it will help us in implementing ^{those plans} so that we may have what is required in the ^{quantity} ~~quota~~ required, and where the products are required.

I mentioned stockpiling. I want to emphasize the fact again, that requirements which are here stated represent only operating needs. Your yourselves recommended a stockpiling program. We are in hearty agreement with that recommendation. We are in process of developing a practical solution to that problem.

We will first have to find out exactly what capacity

is not now utilized that can be utilized. We will have to then subtract that from the total operating ^{and} ~~and~~ stockpiling requirements and come up with figures for construction, and then we shall have to persuade the powers that be that we need the funds for construction; taking actual factors into consideration such as geographical dispersion, geographical distribution, conformance to the strategic^c plans, et cetera, ~~and~~ Once we have those data in hand for what I hope will not ^{be} ~~be~~ ^{asked to} ~~be~~ ^{too} ~~too~~ ^a ~~a~~ ^{heavy} ~~heavy~~ ^{on} ~~on~~ tough load, ~~for~~ you gentlemen to ~~shoulder~~, will produce the product to go into the facilities that we shall either lease or construct.

Quite frankly, in accordance with the way I always try to do things, I don't propose recommending that we lease capacity from industry that industry ordinarily utilizes.

I think it is quite apparent to all of you that ^{that} ~~that~~ would not enhance our national capacities to support an emergency, ^{if} ~~if~~ God forbid, we be faced with just that.

I thank you particularly, Mr. Ball, for your kind remarks; Mr. Ball's remarks are quite factual but in turn I should like to tell you that we are gratified ^{for} ~~with~~ the response that we have received to our appeals last June. I don't know how a more effective response to a challenge could have been forthcoming. I want particularly to thank Howard, ^{Page} ~~Page~~ and to thank Colonel ^{the} ~~a~~ Drake, for a very effective work they did within industry's ranks.

I am sure that each one of you realizes thoroughly the position that your products play in our national defense planning.

Now, I am sure that you realize that without adequate support of petroleum products the military and naval machines stall. Proper planning, proper anticipatory measures comprise the only effective approach to the solution of this very important problem.

What I want to tell you for myself and I speak for myself and my associates, that we are really most appreciative of the fact that you busy men take from your very busy days, sufficient time to sit down with us and plan for that adequacy of supply to which I have already sufficiently referred.

Knowing you as I do, I am perfectly positive that our next six months' requirements will be met. I know that that task is not going to be an easy one. I know that you are going to be called upon individually to divert production to us which you normally would allocate to ~~which you wish to allocate to us, and will undoubtedly allocate to us to divert such production to commercial channels,~~ ^{commercial channels} but I am perfectly positive ~~that your work~~ ^{the} that you will work with us as a team to accomplish that goal. Certainly, you may be assured of our wholehearted support, and I in turn am already assured of yours. //

I again tell you that I am delighted to meet with you, and I am particularly pleased Mr. Chairman, at this time. My

one message to all hands is a hearty "Well done."

The Chairman. I would like also to present Colonel Cotulla, who is the executive officer of the Directorate of *the* Armed Services Purchasing Agency.

Colonel Cotulla. I am afraid, gentlemen, I will have very little to add to what Admiral Foster has said. We came before you last summer with our requirements. They have been met in almost every instance 100 per cent. We have before you now, that is, Mr. Page and his committee, the requirements for the next six months period. We are coming out as early as we possibly could with those requirements.

Speaking solely from the working level, *with* ~~the~~ hope that we will get offers to cover those requirements early, and again, from the working level, we hope to be able to have contracts in the hands of those companies that have made the offers sometime by at least the beginning of the period ~~to~~ *in* which deliveries are supposed to take place.

That is just an administrative procedure that is at times quite vexing, and we would like to be ~~the~~ ^a head of the game for once. I share with Admiral Foster the optimism that we are going to get coverage of our requirements, not only the stated ones, but any additional requirements that may be tossed at us in the future.

All I ask is that you come in as early as you possibly can so we can grind them out and simplify your problem and

our problem too.

Thank you.

The Chairman. Are there any questions, gentlemen, which you would like to direct to Admiral Foster or Colonel Cotulla? Any questions?

Thank you very much.

Admiral Foster. Seldom have I attended a conference where I have not been bombarded with questions. As Mr. Ball said, I am perfectly at home when I catch hell. I am sorry I can't stay with you gentlemen. I would like to.

The merry go round in the building across the street still goes on; again my congratulations and thank you for your cooperation.

The Chairman. Dr. Wilson, we are about to move to the matter of asking the reports from the various chairmen of the District Committees under the voluntary allocations program.

I wondered if then it might be desirable from your standpoint, as well as the Council's, that inasmuch as you were the Chairman of the committee in which this program originated that you might review the action leading up to the organization of these committees.

Dr. Robert E. Wilson. You may recall there was a little confusion at one time regarding the fact there had to be two kinds of committees. First a committee that had to have the job of ^{drafting} ~~allocating~~ ^{the} ~~agreement~~ ^{that} the Council would favor.

drafting
ion

As I told you I wasn't sure we were going to need it. It was a life saver during the ^{temporary} arrangement we had, and we felt if we kept ^{it} on a well decentralized informal basis it would be helpful. As time has gone on the need for that has seemed to diminish, and by the time we got the thing through I was doubtful as to whether it would ^{be needed.} work. I was wondering if the work that had been put forth was going to waste. And then the strike broke and I understand from the California representatives that the allocation ^{agreement} was an absolute life saver to meet that situation on the West Coast, and it ^{is} now ~~just~~ an illustration of how an arrangement of that kind can be helpful in emergencies that we can't foresee.

I got ahead of my story.

When the Council approved that report, Secretary Krug was under obligation to appoint another committee to work out the details of that agreement, and asked them to do it within the scope and with much the same committee as ^{my} ~~the~~ committee under the Chairmanship of Mr. Graves. That was worked out and went through public hearings with slight modifications and final adoption, and I believe you have copies of it.

There ^{have} ~~has~~ been some questions as to the functions of my committee in the administration of this plan.

I wish to make it very clear ^{that} we do not feel when we said decentralized we meant ^{just} that, we believe the only way it can operate is for each local district to handle their own prob-

lems. Our own problem is, if they should be ^{re} requested ^a or a feeling on the part of anyone, any district committee, any individual that ^{re} their ^{ed to} needs be a change in this arrangement, or some extension, or what will we do on it after February 1st, That is the proper function of my committee.

I have asked for that reason to be given copies of District Committee reports, but I don't propose to summarize or cull them. We have no business in them. If anyone feels there should be changes in the setup we have, that is something that comes before our committee. If it is your wish that we continue to serve in an over-all advisory capacity, but not as a centralized control in the operation of these plans --

The Chairman. I think it is important for us to emphasize that these committees that have been appointed are appointed under the authority of ^{the} National Petroleum Council, ~~and~~ the appointments are approved by the Secretary of the Interior, but they are industry committees appointed under the authority of this Council.

Now, last year we had committee organizations in three districts, District 1, 2 and 3. When this critical situation developed on the Pacific Coast it was very evident that we needed a District Committee in District 5, and that was appointed and set up and is functioning today and likewise we ^{decided} ~~desired~~ that it would be desirable to appoint a com-

mittee in District 4.

So that we have functioning committees in all five of our Districts.

Mr. Bert Graves ~~///~~ served as the Chairman of the Petroleum Industry Advisory Committee which was appointed and which worked out these plans under which we are operating now, and Mr. Graves is Chairman of the District Committee of District number 1.

Mr. Graves, I would like to call upon you for a report, not only as Chairman of the Temporary Advisory Committee, which functions you have met and ^{been} discharged, but also to report ^{for} to the active ~~of~~ District number 1 Committee.

Mr. Bert I. Graves. Mr. Chairman, as ex-Chairman of the so-called Krug Committee, we have completed our work and the plan that we recommended was submitted to public hearing and finally approved with ^{some} changes. However, the plan that was approved was substantially the plan that the industry recommended. That is one job that we met, and the committee has been discharged and everybody has been thanked for the work they did on that committee.

As Chairman of District number 1 we have submitted in writing a report to Mr. ^{James} Brown, and I will just briefly say that the committee in District number 1 has been organized, and we have had two meetings. We have collected enough money to run the committee until February, 1949, February 28, when

the law expires. At the moment we have no over-all shortage in District number 1.

As a matter of fact, the tanks are all full but we still have some individual problems in connection with the relations between suppliers and buyers, which may develop into some so-called hardship cases. The industry in District number 1 is cooperating very well with one or two exceptions. All of the companies have indicated that they will subscribe to the principles of the plan and for the time being I can report we are organized, that everything is in fairly good shape.

We do not know what the winter will bring forth. It looks as if there will be sufficient oil to take care of everybody. As the first report of the committee I can say that the assignment which has been given us is in hand and we are standing by ready to function if the occasion demands.

The Chairman. Thank you very much, Mr. Graves.

I will call upon Mr. Majewski.

Mr. B. L. Majewski. District number 2 will supply 54 per cent of its requirements for this coming season, while the ratio that will have to be ~~transported~~ ^{imported} will amount to 46 per cent. The industry has made the most of the time available to them in preparing to meet the requirements of an even greater market. It has increased its production and has increased the flow of crude oil in the Mid-west. Its refineries have operated on an average of over 100,000 barrels.

With the settlement of the labor disputes in the state of California it would seem that our crude runs will be higher possibly over the next six months. Transportation facilities have been expanded, storage capacity has been made available, consumers have also afforded a substantially greater cushion against peak seasonal requirements by increasing their storage capacities and an educational campaign has continued to increase the consumers' storage. We think the home owners ought to provide at least one-third of their own requirements in storage. Not only will they benefit from that but they will have a greater cushion of security.

Tank cars were tight a year ago while today they offer no particular problem. Barges, although increased in capacity, have remained tight, because of the increased movement of cargo up river. We believe from a national point of view that we have adequate transportation facilities for moving supplies from one part of the nation to the other where a shortage might occur.

The industry in the Mid-west appears to be able to meet the requirements for the coming winter season. Crude oil supplies have mounted more rapidly. The industry is therefore more nearly approaching the capacity with refineries than was true last winter. This was to be expected. ^{In} The _{1/2} industry we believe, the inevitable conclusion that additional refining capacity will be provided.

problems.

The industry last year did increase the yields in kerosene and residual distillates. We are confident that it will do so again. We believe however, that such action will be determined by the individual operating units. Our hope is that each unit of industry will watch the flow of finished products, and probe winter demands as accurately as it did last year.

Mr. Ball recently requested the governors of the various states to reestablish the office of Fuel Coordinators. This appears to be a sound move as the cooperation of these agencies during the winter of 1947-1948 was very helpful. Now that they have been reestablished we ^{hope} ~~hope~~ that the industry ^{will} have an output that will result in a complete status of fuel coordinator unemployment in District number 2.

The Chairman. Mr. Majewski, between now and our next meeting no doubt there will be some discussion about the desirability, ~~about~~ the renewal and extension of Public Law 395. You commented on that this morning. I wondered if you wanted to supplement your comments at this time. I would be interested to have your views as to how you feel.

Mr. Majewski. I do want to say one word. I thought I would talk about it when you came to the approval of the 1949 budget. I was persuaded that I was wrong this morning.

I think we are in such shape in District 2, and in the

district from which we import primarily District 3, and a little from 4 and 1, that we are dependent for 46 per cent of our supply from other districts. There is about 38 per cent which comes from District number 3, but in reviewing the situation with District 3, we find that we really will have no work to do. But we are just existing in case you do need us. If you want to continue during 1949 that is all right with me.

I am afraid, that even with a change in the administration, that everybody in this room, at least most of you, are looking forward ^{to} and me too, I think it is dangerous to continue this Public Law 395. It gives people the idea that we are dependent on them. I mentioned this morning I could not understand why you could get steel to finish a part of a job and then you let the steel go to waste and it is dormant because you can't get a few more feet of pipe. That leads people to come to Washington.

In District number 2 we love Washington as the seat of our government, but the hell with it for the running of our business. ~~W~~

Dr. Wilson: I reminded Barney of one you will enjoy.

A pessimist was complaining about the high cost of taxes in the government. The other man said, 'Did you ever think how lucky you ~~were~~ ^{are} in not getting all the government you are paying for.'

The oil industry in the Mid-west is in a better position to meet the demands of the market this year than it was a year earlier. The Mid-west consumer will be the recipient of the development of an indefinite number of corrective steps taken by each unit in the industry.

Supplies do not appear available to merit a market expansion program, but given a normal winter the hardships experienced a year ago should be greatly diminished or eliminated.

If problems arise with the industry operating at present levels, and by that we mean no substantial unused capacity, because of strikes, they will be at the peak of the winter seasonal requirement. They will be reflected in an undue portion of the storage responsibility falling on the industry.

We do not anticipate there will be any problems with residual fuels during the six months ahead.

If any problems are encountered it will be incident to kerosene. With substantial industry supplies on hand it is not now our expectation that serious problems will be encountered.

One of the responsibilities of the Regional Advisory Committee is to make recommendations for ^{changes in yields.} ~~finished requirements~~. We have no such recommendation to make because we do not see how such a recommendation can be made. Obviously there are many plants facing real storage capacity

Mr. Majewski. I overlooked one thing. We had an element in our industry that was new to us, and he was new to us; both sides looked at each other skeptically. But in District 2 there is complete harmony even though we will be inactive.

I am ^{not} afraid of the Department of Justice on that score.

The Chairman. Mr. Graves, would you care to speak your opinion?

Mr. Graves. I hesitate to speak for the entire committee, or companies in District number 1. My own opinion is that the situation is in such shape that I don't believe there will be any need for an extension of Public Law 395.

I think the industry has responded and has performed, and if we get by until the end of February there will be no need for an extension of the law, and therefore of the voluntary allocation agreement.

Conditions, however, ^{may} ~~may~~ indicate that it is necessary to extend it. I think we should have a look at it in early part of the year. Right now we don't believe it is necessary nor advisable to endorse an extension.

The Chairman. That isn't before us. I wanted to get some informal expression.

Mr. John W. Newton of Beaumont, Texas is Chairman of District number 3, and unfortunately cannot be in this committee.

I am in receipt of his telegram:

"National Petroleum Council, Suite 601, 1625 K Street, Northwest, Washington, D.C.

"Confirming telephone conversation regret inability to attend National Petroleum Council meeting and will appreciate your reporting for District 3, indicating: (1) At initial meeting of committee, representatives from every state in District were present and evidenced complete willingness to cooperate under terms of allocation plan: (2) Committee is well organized and prepared for any necessary effort under this plan: (3) It is recognized that District 3, is primarily a supply district with no major problems of heating oil requirements at consumer levels: (4) Previously distributed minutes of meeting will afford further details of report. John W. Newton, Chairman Regional Advisory Committee, District 111, National Petroleum Council."

Mr. Robineau, who is the Chairman of District number 4 Committee, is here. I will be glad to have some report from you.

Mr. M. H. Robineau. Mr. Chairman, the District number 4 Committee held its organization meeting on October 8. It was well attended and everybody agreed to cooperate. We made an immediate study of the supply situation in our district. The present storage of crude oil is about 1 million barrels over what it was a year ago. Most of that million barrels

is not available, being in pipe lines and working inventories for new pipe lines. Gasoline inventories are up from one million and a half to one million, seven hundred thousand barrels.

I don't think that is any problem one way or the other unless some emergency arises.

Kerosene inventories are double what they were a year ago and production is up so we see no problem there.

oils
Distillates and gas are also up from eight hundred and
some thousand barrels to one million five barrels and pro-
duction is up from 18 or 19 thousand barrels a day to 25
thousand barrels a day.

Unless we have an unusually hard winter or emergency we don't anticipate any difficulty in supplying demands of that product.

The residual products and fuel oil situation is probably the other way, but not dangerously so. The crude oil production has been running at the rate of 205 to 210 thousand barrels a day. New pipe lines are going to be opened, *in* ~~that~~ and that production may go up to 235 thousand barrels a day.

... Refineries have been running at the rate of 105 to 115 barrels a day.

Construction is going on in Casper, Denver, and Salt Lake. Most of that capacity will be in operation within a year or

shortly thereafter which will increase those runs to about 235 thousand barrels a day. At the present time we are shipping out about 50,000 barrels of crude, and it is estimated that even after this new refinery capacity is established the same amount will go out.

All of our production gains ^{and over} ~~in the~~ market requirements are for consumer and dealers. We could supply our district with approximately 85 per cent of the new capacity. The ^{and some} balance of that will be shipped mostly into District 2, into District number 5.

It is a question of whether ~~very~~ much goes into District number 3.

We do not have any hardship cases in the District with the possible exception of the northwestern corner of Idaho, which borders on District number 5. Both economically and historically that part of ~~the~~ district 4 has been supplied from District number 5; Economically because of the difference in freight as compared with trucks coming in from the Columbia River; Historically because our good friends and associates on the West Coast have always ^{stayed} ~~stayed~~ a part of each night making sure they don't lose a barrel of distribution in that area.

With the strike situation District 5 requested that we have the same allocation in that particular area as District 5, which we did. Shortly thereafter District 5 ~~was~~

withdrew their request because they felt there was not a shortage in District 4, and there was no need for it.

I might mention that within 24 hours I received phone calls from people in that area. From people that didn't have their supplies. At 2 o'clock in the morning the phone rang and I received a phone call from a good independent, pointing out that that didn't work. His trucks were up on the Columbia River and they were out of gasoline. Those cases have been taken care of and we haven't heard anything from them in the last week or ten days. We don't feel there is going to be much for us to do. We will keep track of the supply situation and we will be on hand and be ready to operate.

The Chairman. Would you care to express your opinion on the advisability of an extension of Public Law 395, Mr. Robineau?

Mr. Robineau: I don't think we need it in our area, except to fit in the over-all pattern. Then --

The Chairman. Thank you very much.

The Chairman of District number 5, Mr. Arthur C. Stewart, of Los Angeles, is unable to be here at this meeting today, but he has wired me that Mr. Rush Blodgett is prepared to give a report of the activities of the District 5 regional activities committee.

Mr. Blodgett has furnished us with a copy of that report,

and I will ask the Secretary to read it at this time.

I might say that that District 5 has been the center of the greatest activity under this allocation law.

(Whereupon, Mr. James V. Brown, the Secretary, read the report.)

REPORT OF DISTRICT FIVE REGIONAL ADVISORY
COMMITTEE TO THE NATIONAL PETROLEUM COUNCIL
MEETING, OCTOBER 21, 1948.

When the refineries of six of the larger oil companies on the Pacific Coast were struck on the morning of September 4, 1948, the distribution of petroleum products became a problem affecting every company west of the Rocky Mountains, whether they were struck or not. There was an immediate rush of buyers to the outlets of the non-struck companies resulting in abnormal sales and spot shortages. Many non-struck companies had exchange arrangements with struck companies which were immediately jeopardized. Unless immediate action were taken, there would be numerous consumers unable to get essential supplies of fuel and other products from their normal supplier during a period when there would actually be stocks being withheld in the hands of other suppliers.

This situation appeared no different than that existing on the Atlantic Coast on heating oils during the preceding winter. Whereas committees had been set up in Districts I, II, III, and IV, to handle such situations as provided for in the Taft Act (Public Law 395), no committee had been appointed

for District V as no shortage had been foreseen.

With the shortage already on us, recommendation was made to the National Petroleum Council to establish a representative committee. Both the Council and the Department of the Interior acted immediately, the Department of the Interior approving the appointment of the committee in time for the Committee to hold its first meeting on September 10.

As related in the minutes of that first meeting, the purposes of the Committee have been to exchange information and products during the emergency, recommending limitations on deliveries to customers in order to meet the current demands of essential business and to recommend to the industry, the public, and the Government, whatever action seemed in the interests of augmenting the availability of the petroleum products covered by the Voluntary Allocation Plan.

Our first action was to appoint sub-committees and have them approved. The distribution of petroleum in District V fans out through four main refinery and terminal points - Seattle, Portland, San Francisco and Los Angeles, hence a sub-committee of distribution men was appointed for each of these points. These sub-committees had, at their finger tips, daily information of available stocks and were able to advise each company what products other companies had available for exchange, loan, or sale, the details of the transfer, terms of sale, etc. in each case being left to the individual

companies participating in the transaction to work out between themselves.

Other sub-committees became necessary as the number of transfers increased. An Accounting Committee was appointed to accumulate figures on inventories and to record daily requirements and off-takes from terminals and refineries.

Total inventories at the beginning of the strike were in excellent shape on all products with the exception of 100 octane aviation gasoline. However, over one-half of these inventories were inside the refineries. Inventories in terminals in the Northwest were sufficient to last a good part of a month and were available both in terminals and marketing stations, none of which were affected by the strike. In the refinery areas such as San Francisco and Los Angeles, however, representing over 60 per cent of our market, distribution had been built on direct shipments from refineries to dealers and wholesale consumers so that field stocks in the hands of the oil companies could last only from five to ten days without replacement.

Great effort was put forth by each company during the early period of the strike in getting their refinery stocks through the picket lines. In the San Francisco Bay area barges and tankers loaded from struck refineries even in the face of considerable disturbance from pickets. In the Los Angeles area the network of pipelines was utilized to open

outside
as many outlets, the refineries as possible. When mass picketing would force the closing of one stem, another would be activated in some other part of the basin. Much of the Los Angeles supply was hauled back by truck and trailer from San Diego terminals after being transported there by barge and tanker from Los Angeles Harbor. Cargoes were purchased in Texas and trainloads of gasoline were brought from Oklahoma for delivery in Arizona and California.

No expense was spared by the individual companies in maintaining the supply. Satisfaction of the public with the job that was done was immediately indicated by the discontinuance of hoarding and distress buying.

It was recommended to each company that they limit deliveries of gasoline to retail outlets to 75 per cent of their July deliveries, it being the consensus of the Committee that for all practical purposes all deliveries, other than those to service stations, were of an essential nature. These deliveries include the Military, mass transportation companies, transportation of essential commodities and agricultural users, as well as hospitals, doctors, police, etc.

The public cooperated most effectively by postponing many unnecessary trips so that dealers were not too hard pressed to spread their allocations without consumer irritation.

As inventories began to run low several steps were taken

to increase the supply, crude oil was diverted to operating refineries having additional capacity, and struck refineries were placed back in operation with supervisory personnel, non-strikers, and new recruits. While this operation was slow at first, after a period of about four weeks it resulted in the production of motor gasoline sufficient to take care of the curtailed requirements of the market without further draft on inventories.

The Committee then recommended that allocations be increased to 90 per cent of July deliveries. In many places this is actually more than normal October requirements so it was proposed that any surplus be transferred to areas having a greater seasonal requirement.

Much good work in connection with increasing supplies was done by our sub-committee on Refining and Supply and our sub-committee on Transportation. The work of the Transportation Sub-committee should not be confused with that of the Distribution Sub-committee- the former concerned itself with keeping facilities such as tankers, pipelines, barge operators, truck and trailer operators as well as railroads in operation and serving the struck refineries. This was not an easy matter as the crews of three of the tanker fleets were C.I.O. and refused to work ship at struck refineries.

The crews of the railroads refused to go through picket lines so all rail movement in and out of refineries has been

by supervisory personnel of the railroads. Over-the-road haulers and barge operators both had their troubles with their operating personnel but after a few stoppages during the first two weeks, have carried out their jobs most admirably.

The work of the Distribution Sub-committee has been to recommend the scheduling of movements between refinery and terminal points, as well as Alaska and Honolulu, so that no one area has been shorted because some other area is over-supplied.

Our present efforts are directed primarily toward augmenting the supplies of military aviation gasoline. Because of several weeks during which no aviation gasoline was produced by the struck companies it is necessary to step up production above the normal daily rate for the remaining two and a half months of the year. This can only be done by exchanging components between all of the companies whether they have contracts for the supply of aviation gasoline or not and by extracting as many of these components as possible out of motor gasoline. This, plus the natural economic influence on the quality of gasoline when there is extensive rebranding of products, would normally tend to degrade the quality of motor gasoline. In order to place a floor under this pressure, your Committee recommended to the industry that they maintain a quality which would at least meet the

military requirements of Specification VV-M-581, Amendment 1, dated August 28, 1946. At least the minimum requirement of the military for aviation gasoline will be met between now and the end of the year.

Inventories of heating oils were unusually high in September but we were concerned that loss of production for even a few weeks might result in a shortage of this commodity at the peak of the winter season. After our Subcommittee on Economics and Statistics was appointed and had an opportunity to estimate the demand, we were happy to find out we could continue with our then current production and drafting on inventories well into the early part of the year. Since that time production has been further increased to the point where our entire winter requirements can be met, barring unforeseen shut-downs or exports out of the Pacific Coast market.

Many resolutions have been passed and recommendations made, all of which are contained in the minutes of District V Regional Advisory Committee. The cooperation of the Department of the Interior, the Department of Commerce, the Armed Services Petroleum Purchasing Agency, the Army, Navy and Air Corps establishments on the West Coast, the non-struck oil companies, State and local governments, and the public in general, has been outstanding.

Each of the five Western states appointed oil coordina-

tors. They have stood ready at all times, to help us through their offices and the authority of the State, as well as in obtaining helpful publicity.

All of us who have seen the effectiveness of the oil industry in a real crisis are truly proud to be included in it as a part of it and appreciate the opportunity to serve which was provided by the National Petroleum Council's appointment of our Regional Advisory Committee.

The Chairman. You have heard the report, gentlemen.

Mr. Ball, we have had presented to us the reports of Chairman of the five districts. I wondered if you cared to make any general observations.

Mr. Ball. Well, needless to say, I have been highly gratified at the way everyone has taken hold of this voluntary program. Every committee, as you have heard, has gotten busy and got itself organized, and ^{looked at} ~~listed~~ its problem, to see whether there was a real problem and if there was a real problem, it has gotten busy to meet it.

If there has not been a problem it has kept itself in a situation where it is fully informed and ready to act when any occasion arises.

The one place that action has been necessary, and how, has been District number 5. I had the pleasure of spending five days out there during the early days of ^{the strike} ~~distress~~, working in the main with the District 5 committee. As I told

them out there one day at a meeting, I came away from there prouder than ever of being able to call myself an oil man.

Two things in particular, one was the resourcefulness that they were showing in meeting a very, very difficult situation, and as the event has proven in meeting it successfully. If there ever was an example of resourcefulness, ingenuity, ^{and} determination in meeting a situation the District 5 committee has shown it.

Mind you, my interest out there, and the interest of the District 5 committee was not in what happened with respect to ~~the District~~ ^{the} to the strike, but to minimize the effect of the strike on the public. This committee has kept itself admirably free from any participation in the actual strike activities. But it has done a tremendous amount to keep the public from suffering as a result of the strike,

The other thing that made me particularly proud of being an oil man was this. The struck companies were all major companies. There are some ³⁰ pretty independent refineries in the Los Angeles territory. They were not struck, and most of them still had their crude supplies. Many of them were getting augmented crude supplies because the majors were turning over to them some of the crude they themselves couldn't use.

Those boys had the world's finest opportunity to go to town and make themselves young fortunes, because the struck

companies and the unstruck major companies (GP) were curtailing deliveries to 75 per cent to filling stations. To 75 per cent of ^{July} actual supply.

These independents could have fed their filling stations 100 per cent of their July supplies and could have cleaned up on it.

We had a meeting one afternoon with all the independents and every one of them was present. All of the independents, the independent refineries in the Los Angeles area were there. The matter was discussed fully. It was shown to them what the public disadvantages would be if their stations served gasoline at one rate, whereas the other stations were not able to do so.

Without exception they joined right in on the program and curtailed their deliveries to their filling stations on the same basis as the struck companies were having to do. It was on that occasion I said, "I was proud to be an oil man," and that kind of thing made me proud of it.

I think there is a lesson here with regard to the continuation of Public Law 395. I hope as you all hope, that there is going to be no necessity for any voluntary allocation in District number 1, ^{or} District number 2, or District number 4, this winter.

If everything goes all right there will not be. Let me remind you when you come to thinking about whether this

voluntary agreement should be kept up, Let me remind you you ~~would have~~ ^{if} one thing: if we had discussed it here at the July 29 meeting, the one place we would have said there was no chance of there being any need for, ^a voluntary agreement would have been District number 5, yet on the third day of September, that need was not only real but acute, and has remained real and acute ever since because it is perfectly clear that without the voluntary agreement, ^{the} and ability of companies under the agreement to get together under ^{the} District ~~number~~ 5 committee, the public would have suffered and the companies would have suffered a great deal more than they have."

Thank you.

Reading/km

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pm

Dr. Wilson: In hearing these reports I think every oil man can not help but be gratified with these things. First, that the supply problem has been pretty well licked, and second, that it was licked without the government stepping in ~~and~~ in any substantial way, in intervention as there were so many threats. ^{It would do} Just as sure as we had gotten any particular new legislation, ^{had} and licked the thing, we would have had the government step in and take the credit and there would have been another thing for the planners and others to brag about. Thank God we were able to do it on our own. I think it is a very salutary thing.

Mr. Duke: I would like to call attention to the lucky position the independents were in, ^{and} in that they did not ^{exploit} ~~split~~ it and I express the hope that the reciprocation will be a little more generous in reverse.

The Chairman: Gentlemen of the Council, I think we have all followed with very great interest the part which petroleum ^{supplies} ~~employees~~ in the European Recovery Program have had. We have known of its importance, but we have known little of the detail of operation. At the last meeting of the Council we were privileged to hear a most interesting and informative statement from the Director of the Petroleum Division of the Economic Cooperation Act, Mr. Walter Levy. I thought that it would be highly desirable for Mr. Levy to come back with us again today and bring us up to date

a km-2

on the operations of the Marshall Plan in relation to petroleum.

I was tremendously impressed, as I know every member was at the last meeting, with the very revealing and interesting statements of the petroleum activities of his division and I am happy that he has come back with us today and is prepared to address you in regard to the operations of the Marshall Plan.

I know you will be most interested in his statement and I am very glad to present to you now a man who is doing a tremendously important and enormously big job in the administration of his petroleum section of the European Recovery Act.

I present to you Mr. Walter Levy.

Mr. Levy. I am grateful for the opportunity which you have given me to keep you and, through you, the industry informed on the development of the oil phase of the Marshall Plan. Its effects on the political and economic well-being of our country and of the ECA nations are bound to be great and, we all hope and trust, beneficial. It is an extraordinary attempt of the American people to establish peace and prosperity against the forces of disruption and destruction which menace our world.

The ultimate success of the Marshall Plan will depend on whether European countries can increase production in industry and agriculture. Such production efforts depend on a sufficient supply of energy and on an expansion of transportation. That is why the oil program is an integral part of the recovery plan and is basic to its success.

Since I talked to you at the end of July, much progress has been made. Further, we have obtained data which illustrates the development of the world's oil economy during 1948 and put into focus ECA's activities during this period.

You are all aware of the improvement of our domestic oil position resulting from the unprecedented efforts of our industry to balance supplies with ever growing demand. The U.S. total supplies during the first nine months of 1948 rose by 10 per cent over the same months of 1947 to approximately 6,300,000 barrels daily compared with

total demand of 6,100,000 barrels. Imports in the first three quarters of 1948 have reached nearly 500,000 barrels a day as compared with exports of 400,000 barrels. We have thus been a net importer of about 100,000 barrels daily.

Advance in the crude oil production outside the U.S. ^{was} ~~were~~ even more impressive. During the first half of 1948 such production averaged more than 3,600,000 barrels daily, an increase of 19 per cent over the same period in 1947. There was thus a dramatic improvement in the world's oil economy.

This improvement is clearly reflected in the supply position of ECA countries. In the first six months of 1948, fifteen of these countries for which statistics are available imported 159,000,000 barrels of crude oil and refined products as compared with 148,000,000 barrels in the second half of 1947 and 123,000,000 barrels in the first six months of 1947. The expansion of world production and tanker transportation enabled the ECA countries thus to increase their imports in the first six months of 1948 by 7 per cent over the second half of 1947 and by as much as 29 per cent over the first half of 1947.

Against these figures, the magnitude of the ECA's operations becomes evident. During the first six months of its operations, from April to the end of September 1948, ECA made arrangements to finance dollar oil shipments to ECA

58,200,000 203,000,000
 countries of ~~68,500,000~~ barrels valued at ~~\$245,000,000~~, and

for tanker transportation expenses amounting to more than

(These figures exclude countries for which a program has not been
 \$50,000,000 additional. Although neither the six-months
 periods nor the list of countries used in making the com-
 parison are quite identical, it is possible to say that the
 ECA financed oil shipments have amounted to from ~~40~~ to ~~45~~
 per cent of the total oil import needs of those ECA countries,
 which received ECA assistance.

finally determined upon and are subject to amendments as and when data on actual transactions become available.

Seventy-~~one~~^{five} per cent of the ECA ^{programmed} financed shipments, in

terms of value, went to three nations -- Great Britain,

France and Italy. By source, the Middle East was the

greatest supplier, with ~~32,200,000~~^{27,300,000} barrels, valued at

~~\$8,000,000~~^{68,000,000}. Western Hemisphere areas other than the

United States provided ~~25,000,000~~^{21,200,000} barrels, valued at

~~\$8,000,000~~^{67,900,000}.

The United States' share was held down to ~~11,300,000~~^{9,700,000} barrels,
 valued at ~~\$7,000,000~~^{67,300,000}. This represented ~~16 1/2~~¹⁷ per cent of the

quantity and ~~30~~^(about 33) per cent of the value. The U.S. shipments

included the great preponderance of lubricating oils and

aviation gasoline, two products with relatively high unit

prices. Lubricants, in fact, accounted for ~~25~~^(about 44) per cent by

value of all ECA oil provided during the six-months period

from the U.S. In terms of ^{quantity} ~~quality~~, the ECA's ~~11,300,000~~^{9,700,000}

barrel six-months program for U.S. exports was equivalent

to ~~slightly more~~^{less} than two days of our domestic crude oil

production. Further, estimated U.S. oil exports to ECA

countries during the first half of 1948 were about 40 per cent smaller than during the same period in 1947. At the same time, U.S. oil exports to all other nations declined only by an estimated 6 per cent.

This statistical picture should go far toward reassuring those who have expressed fears about the impact of the European Recovery Program on the U.S. domestic oil position.

The total increase in imports into ECA countries in the first half of 1948 was due primarily to an increase in crude oil receipts from 40,000,000 barrels in the second half of 1947 to 50,000,000 barrels in the first half of 1948. Total imports of refined products into ECA countries which increased greatly during 1947 have not increased during the first six months of 1948 over the last of 1947. Among the refined products, imports of residual fuel oils were up, while those of gasoline and lubricants were substantially lower. The increase in Europe's refining capacity enabled it to absorb additional quantities of crude oil, so that its increased consumption of products was effected without placing any additional load on the overtaxed refining capacity of the rest of the world. At the same time, by importing increased quantities of crude oil rather than of refined products, very large savings of dollars could be achieved.

It is worth mentioning that the increase in Europe's

refining output has been achieved partly by a greater yield of heavy products at the expense of the light products. Moreover, the improved tanker position has enabled one of the important foreign producers to send more fuel oil to markets, fuel oil which had formerly been pumped back into the oil fields. All these factors together with a sizable increase in European coal production have combined recently to ease the fuel oil position in Europe and may permit and even necessitate a moderate increase in the use of fuel oil in industry in some countries.

There is a second very important phase of the ECA program and that is the petroleum equipment program. In addition to the supply of products, the equipment program, however it may be financed, is essential to European recovery. The development of productive capacity in the Middle East and the expansion of refining capacity in Europe and elsewhere are among the most important elements in providing Europe with the fuel it must have and also with the foreign exchange income needed in order to balance its future international payments, in which the cost of oil imports is such a heavy item.

As mentioned before, in the field of refining capacity there has already been a dramatic improvement. European refineries at the end of 1947 could handle 380,000 barrels daily and this is expected to increase to over 500,000

barrels by June 1949. The French capacity showed large expansion, and there have also been increases in Great Britain, Holland, Bizone, and Italy. By the end of 1952, European countries have scheduled an increase to as much as 1,000,000 barrels daily. In addition, companies of the participating countries plan to raise their refining capacity outside of Europe and the U.S. from 1,000,000 barrels to 1,400,000 barrels by the end of 1952. Simultaneously, the non-European and non-U.S. crude oil production of these companies is scheduled to increase from 1,000,000 to 1,800,000 barrels a day.

These are the plans of the European countries. Whether they can be carried out completely is still an open question. That a substantial part of the program will be carried out, provided that no unfavorable political developments occur, appears to be certain.

The organization and administration of our program is a difficult undertaking. I indicated to you on the occasion of the meeting of the National Petroleum Council in July the difficulties involved in best estimating the amount of oil actually available for such a program, and the dollar value to be put on it. I want to give you today a few of the analytical and operational problems which confront us.

ECA, and this must be stated as plainly as possible, has a policy which it adheres to strongly and believes in firmly

of providing wherever practicable for operations through private trade channels. U.S. private enterprise supplies the means for recovery. Nevertheless, the mere fact that the U.S. Government finances commodity shipments of such magnitude to so many ECA countries poses very tough problems of relating such operations to the special and unavoidable problems which a responsible government faces.

As I mentioned to you before, the ECA as a rule does not finance premium crude oil transactions. Obviously ECA financed purchases of crude oil in the U.S., which to date have constituted only a minor fraction of one day's domestic production, did not occasion the latest crude oil price advance. One of the most important current problems is to interpret and administer in a practical and proper manner the laws under which ECA operates. As you know, under the law ECA cannot pay a delivered price in ECA countries in excess of the prevailing U.S. market price plus transportation from the U.S. to those countries. Again, prices paid to the supplier in ECA financed transactions may not exceed prices paid by other customers similarly situated. These rules present difficult problems of interpretation.

Another new development of potentially great impact on the European trade is the so-called ^aintra-European payments plan which will come into effect on November 1.

Under this plan, which encourages European self-help,

a great deal of intra-European trade that has been stalled by currency difficulties should be put into motion. Among the European countries, those with goods to export will make grants to others to cover the cost of exports to them. Correspondingly, the countries lacking such funds to pay for imports will be given drawing rights, which they can use to obtain goods they need most urgently. The exporting countries will in turn be compensated for their grants by ECA dollar allocations. As a rule, no transactions between European countries including the entire sterling area should any longer be settled in dollars.

A plan such as the one outlined here can obviously ^{US} not be applied mechanically to the complex operations of the international oil industry. With its world-wide sources of supplies and marketing outlets, the trading and currency problems of the industry require very careful and sensible treatment in order to avoid unnecessary serious dislocations for American business. Problems of inter-company purchases, of exchange of oil between foreign and American companies, of American operations in the sterling area, of oil exports by an American company from one participating country to another, involve complicated currency considerations. In fact, this payment scheme raises the difficult issue of establishing a clear line of demarcation between dollar and non-dollar oil.

The ECA equipment financing program poses further difficult questions involving the balance of the future product output with potential European consumption. The whole structure of European oil imports will undergo changes and a greater interchange of products between European countries will be necessary. Even at best, ^{imbalance} ~~imbalance~~ may remain.

The acquisition of strategic materials and the establishment of the right of free access by U.S. citizens to certain raw material resources in ECA countries are also difficult matters which have to be ^{dealt} ~~dealt~~ with in ECA.

All these are but a few of the problems with which we are currently concerned. There are many facets to them and in this short talk I can not give you more than an impression of what the issues are. But I do want to make you aware of the nature of our concern and why it is necessary for us to deal with problems that at first might appear remote but which have far-reaching effects not only on the international oil trade but also on the domestic industry.

In conclusion, we can not overlook the fact that without the ECA the flow of oil to Europe from world sources would have been completely disrupted; the repercussions here and elsewhere would have been most serious. The lubricant of dollars is doing its work; the flow has continued, even if not always as smoothly as we would have liked.

To integrate the oil industry into an overall recovery program requires us to consider the many international channels of the oil industry and their cross currents, if this program is not to do damage to legitimate business or to the best interests of the plan itself.

It must, however, be understood that if European companies expand production and refining as part of the worldwide growth of the industry, there are bound to be repercussions on our own imports and exports. It is equally evident that Europe cannot achieve recovery without increasing its total production and exports to a point where it can balance its budgets and its foreign payments. Recovery in Europe will necessarily affect the world's oil economy, including that of the U.S.

The Chairman. Are there any questions which anyone would like to propound to Mr. Levy? I know he would be glad to have you ask them.

Mr. Duke. On page 8, the second paragraph, Mr. Levy, you said that the acquisition of strategic raw materials and the right of free access by United States citizens to these materials in ECA countries, that means that these countries that have ECA funds and grants are supposed to have no restrictive measures against the entrance of foreign capital or United States capital into those countries, does it not?

Mr. Levy. The Foreign Aid and Assistance Act includes

a paragraph according to which foreign ~~aid~~ assistance is dependent on an agreement between the receiving country and the United States Government. Those restrictions ^{should} ~~will be~~ -- ~~I should use diplomatic language now~~ ^{removed on the} ~~ceased and we~~ ^{basis of ~~the~~ bilateral agreements} ~~should use our best endeavors to convince these governments that they can not enforce any restrictions any longer.~~

Now, there were great difficulties in negotiating this particular paragraph and it is still under active discussion ^{but} and the Foreign Aid and Assistance Act is very specific and very firm about it. ~~Of course, the countries realize that ultimately their participation in United States aid is dependent on living up to this commitment.~~

I am sorry ^{do not} I have ~~not got~~ the Act here; otherwise, I would like to quote the Act, ~~and make a statement which otherwise might be misinterpreted.~~

Mr. Duke. Generally, I think I understand.

The other question then is, Do you consider ECA aid, and let us not think of oil because this applies to all aid, for example, let us suppose that there is some ECA money used to purchase some material let's say in Brazil or Mexico or certain other countries and maybe it is not oil. I take it from the meaning of that presumably these countries will ultimately benefit or become the receiver of the goods?

Mr. Levy. ~~The receiver.~~ The country from which

we buy does not feel that ^{it} ~~she~~ gives us anything. We ^{pay} ~~give~~

the money; they give the goods; but the participating

countries receive dollar credits ^{and grants} and ^{they} ~~these~~ are the ones ^{which}

under the Act should eliminate restrictions against our materials.
The Chairman. Are there any other questions?

Mr. Levy, we have enjoyed your coming here and hope that you will come again and keep us informed and if we can be of assistance to you in any way please let us know.

Mr. Levy. Thank you very much.

The Chairman. Gentlemen, I want to present Mr. Carroll Fentress of the Oil and Gas Division of the Interior Department.

Mr. Fentress. Mr. Chairman and gentlemen: You will all agree, I am sure, that technical knowledge including industrial know-how is one of America's greatest assets and that the exportation of that knowledge to certain countries can affect the military ^{ind} ~~potention~~ of those countries.

American industry, realizing that there is no law in the book affecting such exportation of unclassified information, has been appealing to the various departments of government for advice in certain peculiar or individual circumstances. These requests have been made upon many different government agencies with the result of delay and confusion and differences.

The administration, hoping to eliminate that delay and to get consistency and to help American industry, has

requested the Office of International Trade of the Department of Commerce to serve as a clearing house ^{for} on such requests. I think in most cases industry itself is the best judge. Whenever a problem does come up if you wish the advice of the government, we are assured by the Office of International Trade that they alone will not be the judge, but they will seek the advice of competent government agencies in replying to your requests.

Thank you.

The Chairman. Thank you very much.

Dr. Wilson. What type of thing do you visualize that the restrictions might well apply to?

Mr. Fentress. They might well apply to say new methods of discovering oil. New methods of refining or manufacturing high grade products.

Dr. Wilson. Even though they had nothing to do with war?

Mr. Fentress. It is very hard to differentiate between war and non-war items.

The Chairman. Are there any other questions, gentlemen, of Mr. Fentress?

Gentlemen, at this time I want to bring to your attention that in accordance with provision No. 6 in the Articles of Organization of the National Petroleum Council the Chairman had to prepare and submit to the Council

for its approval at its last regular meeting a budget for the year commencing with the date of the next organization meeting. Such budget shall not exceed \$50,000.

The report of the Treasury, which you heard today, shows that the expenditures in the nine months ending September 30, 1948 totaled over \$42,000. Current indications are that the expenses for the year will approximate \$60,000. However, our Articles of Organization provide that, and I quote, "Total expenditures to be made by the Council and its committees shall not exceed the sum of \$50,000 during any one year."

It could not be foreseen when the Articles of Organization were adopted in 1946 that this Council would be called upon to meet the many problems and responsibilities that have come to it this year.

Early last January it became apparent that industry action was necessary to relieve consumer hardship in connection with the difficult heating oil situation existing at that time. In response to Secretary Krug's letter to the Chairman of the Council on January 7, the committee was immediately appointed to study and report recommendations as to appropriate actions that could be taken under Public Law No. 395 with respect to the voluntary agreement for the allocation of petroleum products. The Council have been kept informed as to the

steps taken and the accomplishments of the committees that were set up under the temporary program of relief last winter. Several committees and sub-committees had to be appointed. Industry representatives appointed under the temporary program totaled in the hundreds. Each had to be individually approved by the Secretary of the Interior.

Under the formal plan for the voluntary petroleum allocation as approved by the Secretary of the Interior and the Attorney General last August the National Petroleum Council was clothed with the responsibility of administering that plan. In fulfilling the Council's responsibility I appointed a regional advisory committee for each of the different petroleum districts throughout the country. Under these regional advisory committees there have been set up various sub-committees and panels. Total membership of these committees and sub-committees already exceed 300. Again each individual appointment has had to be approved by the Director of the Oil and Gas Division as provided in the plan before the notice of the appointment was formally sent by the Council.

We have had excellent cooperation from the Oil and Gas Division and the district chairmen. We are trying to keep the work down to the irreducible minimum, but in carrying out these programs under Public Law 395 and in addition performing the necessary operations of reproducing and

distributing the many important reports that have been prepared by the several committees of the Council this year and maintaining an office of the caliber in keeping with the requirements of the industry in cooperation with its government has brought about expenses which were more than originally contemplated.

In 1946 and 1947 the contributions from the members of the Council did not equal the budget requirements and in our January meeting last I made the following statements, that when we began this experiment we fixed a rather modest amount of \$50,000 for expenses. In the light of the tremendously large responsibilities that have come to us if we stay within that budget, we shall be very pleased. However, we shall have to raise \$50,000. We can not have a \$50,000 budget and raise only \$40,000.

In consideration of the fact that there are certain members who are not in position to make contributions in-balance with the apportionment, it would seem necessary that some of our members make up the difference or we may run considerably into the red. In other words, we can not figure our personal allotment by dividing the number of members into \$50,000.

I might say that last year we collected just a little bit more than \$40,000 of the \$50,000 budget. We were about \$10,000 in the red. Now, we have attempted to make that up this year and we have succeeded in doing so,

but I want to express my appreciation of the response to that appeal.

In view of the experience of the past year and the indicated needs of the coming year, I propose a budget of \$60,000 for the year 1949 as follows:

Payroll,	\$30,000
Rent,	7,500
Meetings, travel, etc.,	7,000
Office supplies,	5,000
Postage,	1,500
Telephone and telegraph,	3,400
Subscriptions,	1,000
Furniture and fixtures,	1,000
Miscellaneous,	<u>3,500</u>

That makes a total of \$60,000.

I hope the Council will authorize an amendment to our Articles of Organization to permit a \$60,000 budget and approve the proposed budget for that amount.

There have been some suggestions that have come to me that perhaps the basis of collection should be changed as originally provided in our Articles of Incorporation. If you will remember there was considerable discussion as to how this money should be raised among the different members of the Council, but it was proposed and this provision is in the Articles of Organization that voluntary contributions

to such a fund, that is the fund for the operating expenses, may be solicited by the Chairman equally from all members of the Council. That was the basis laid down in our original organizational agreement. That has not been strictly followed because there were some members of the Council representing associations who did not feel they were in a position to pay that amount of their assessment. However, I want to present the matter to you now. I think we have operated very modestly. We have a small staff of people. I might call attention to a report of Mr. Brown's committee on the steel requirements of the industry which was an enormously large job for the office staff.

I would like to present the matter to you for discussion. Mr. Majewski, do you want to discuss it?

Mr. Majewski. I am all through talking. I heard so much about these dollars that I am scared to open my mouth.

Mr. Zook. I think the budget is a very modest one in comparison with the work you are doing and I am sure you will get the unanimous approval of the recommendation to change the by-laws.

I reluctantly mention the basis of apportionment of the cost, but a number of the smaller operators and members of this Council have quietly mentioned to me that they thought the equal assessment was rather unduly burdensome on some of the members. I think we all like to

pay our own way, whatever it is. But if the entire budget of the Council is apportioned equally, it does place an obligation on some members larger than they feel they would like to assume.

The wording of your by-laws or your Articles of Organization rather limits you to the basis on which you may request payments because it specifies "equally."

The Chairman. That was discussed quite extensively. I think Mr. Jones and Mr. Jennings and Mr. Majewski will remember that there was quite an extensive discussion of that in the committee and it was emphasized that the Council's success would be more definitely assured if everybody stood on an equal basis.

Mr. Zook. It might have been the thought at the time and it might have been soundly expressed. I think it would be better at this time to consider the elimination of the word "equally." Perhaps we should consider the appointment of a finance committee which we would place the responsibility on of raising these funds.

Mr. Jones. I do not believe that under our Articles, that we could amend our by-laws at this meeting.

The Chairman. No, we can not.

Mr. Jones. I would like to suggest that I think there is a good deal in what Ralph says. As you all remember when this Council was set up, it was born in an atmosphere

of doubt and it was conceived in an atmosphere of uncertainty as to whether it would work. Many people I think honestly felt there was no need for it. Some went along with it because they wanted to be cooperative. We tried to meet the views of everybody on the question of dues and we had quite a bit of trouble.

I would suggest, Mr. Chairman, that we accept your budget here today. We have funds enough fortunately in the treasury to carry over for another year if we only raise \$50,000 in the next year and spend \$60,000. " I would suggest that we accept your budget and that you appoint a committee to reconsider and to report back in the meeting in January " as to Mr. Zook's question after canvassing the sentiment of the members.

There are several members of the Council who are not here now who felt very strongly on the question of building up a large staff. I would like to have their views. I would like to have them reconsider some of the things they said rather forcibly two years ago or more when we got together. So I would suggest, and if it is in order, I would move that we accept your budget.

The Chairman. That carries with it, of course, a proposal for the amendment of our laws. That is one motion.

Mr. Jones. I will move it.

Mr. Majewski. I will second that, but I want to point out because I was one of the fellows who insisted

on equal contributions, and the reason was that we were not representing companies. We were selected on a basis of representing an industry and because of our experience in the industry and that payment of any contributions was not requisite to having membership on this committee and everybody understood it that way.

Mr. Russell Brown. I went along with the wording provided there was a little change and if you will notice the way that article is worded it says that the chairman may solicit equally. I think it was rather definitely understood then that the chairman was just coming in and we did not want to throw too much on him. We had to raise some money then. I do not want to throw on him the burden of saying how much each fellow should pay so we gave that formula for soliciting. I disagreed at that time with Mr. Majewski a little bit. I have always felt that there is an apportionment of valuation that ought to go along with this membership and I think eventually we have got to have a committee that will handle that and work out some equitable formula for it.

I think that we do not want to bar anybody from coming into this work. I know Barney had that in mind. So we put the word "solicit" in there and did not require that as a basis for membership.

The Chairman. The solicitation has been strictly on

that basis, but the contributions have been made on a strictly different basis.

Mr. Russell Brown. I think you are entitled to have a committee to work out an equitable formula.

Mr. ^{Hamon}~~Hammond~~. I want to say that ^{if} you are going to have a committee to review the situation and I make the suggestion that it be made on the number of speeches that each person makes. Mr. Majewski will bear a large part of the Council's expenses.

Mr. Majewski. I will accept that if the speeches are worth while.

Mr. Jones. I would like to suggest to Mr. ~~Hammond~~ that he not use the word "assessment."

The Chairman. The first matter is your motion.

(The motion was duly seconded and passed.)

The Chairman. I do not think anybody on this Council has been very greatly hurt by their contribution which they have made.

Now, Mr. Jones, will you make your appointment for the committee?

Mr. Jones. I move, sir, that the committee be appointed for the purpose of reviewing the method by which the budget shall be raised and the method on which we request contributions.

The Chairman. You have heard the motion. Are you ready

For the question? All in favor say Aye.

It is so ordered.

Mr. Jones. That carries with it the amendment to the

by-laws?

The Chairman. That is right.

Very much to my personal regret and to the regret of

every member of this Council Max Ball, who has served

fathfully as the director of the Oil and Gas Division and

who has given unselfishly and unflinchingly and untiringly

of his cooperation to the success of this Council, has told

me that he would not be here with us at our next meeting.

I know that is a source of keen disappointment to every

member of this National Petroleum Council. He has been an

invaluable aid and guide to me and I have tried to give

him every measure of cooperation of which I was capable.

of giving. I think we have had a fine time working

together. Frankly, I do not know what it is going to be

like without him. He has a touch and a feeling of our

problems that few men have. I shall be very deeply

disappointed when he leaves the position which he now occu-

pies, but I know he has ample and good reason for doing

what he expects to do, and it has prevailed upon him to

remain, as we did when he had expected to go before we

could not ask him to do that longer.

This is more or less of a valedictory and I am sorry

for it, but I want Max Ball to tell you what his

plans are, what he has in mind, and to take this opportunity to say anything else that he desires to say to us before the adjournment of this meeting.

I now give you the Director of the Oil and Gas Division, Max Ball. //

Mr. Ball. You have listened to me a lot today already, ^{and} I am not going to make this ^{swan song} ~~too~~ long. If I do speak too long, you can console yourselves ^{with} in the fact that it is my last speech and ^{that} you will not have to listen to me any more.

This is my last meeting with you as Director of the Oil and Gas Division. I have been with you for two full years *I attended the first meeting in 1947 and this is the last meeting in 1948.* of Council meetings. ~~From~~ ^{From} what Walter has said, there is altogether too much danger of your thinking of the Oil and Gas Division and of the cooperation between the Government and the industry as something that centers in one . . . I have tried to guide it, It has been my responsibility as Director, but I do ~~not do~~ ^{no} any more than my share of the work and by work I mean the carrying on of day to day coordination and cooperation between the various government agencies and between the government and the industry. *The work is done by all* ^{to} I am going to take this chance to reintroduce ^{to} you ^{for that reason} ~~the~~ ^{the} various active members of the staff of the Oil and Gas Division so that you will not think, when Max Ball is gone, that the Oil and Gas Division is gone. There have

been some changes in our organization and status which I will give you as we go along.

First, and none of these need any introduction to you, ~~but~~ first let me ask Bob Friedman to stand up.

When we last met, Bob Friedman was an assistant director. He is now Associate Director of the Oil and Gas Division. It is a change in title, a promotion long and well deserved. Unless this Council bestirs itself a lot more actively than it has in getting a new director to take my place, Bob Friedman is going to be the ^{ing} active director when I leave, and will be acting director until this Council does bestir itself or ^{the Secretary} succeeds in finding another director.

As I told you last time, in my opinion and in the opinion of everybody, ^{I think} ~~I think~~ that Bob is perfectly capable of being director of this organization. The only person that I know who disagrees with that ^{conclusion} ~~is~~ Bob himself and he says, "No." ¶ Bob is going travelling tonight. He is going to Geneva, as a representative of the Department of ^{The Secretary} ~~Labor~~ ^{to a} ~~at~~ the meeting of the Petroleum Committee of the International Labor Organization. ~~He is going~~ on November 9 to the 21st or ~~the~~ 22nd.

^{no #} That is ^a ~~the~~ job which is ^{being} ~~done~~ at the request of the Department of Labor. They asked us to send a man to this conference. I said that we ^{had} ~~have~~ no labor specialists. They said that they could provide all the labor specialists ~~that were~~ necessary. "What we want is somebody that knows

the oil situation. ^{He} We would like a man of caliber, character and judgment." I said, "If that is the specification, I know the man," so Bob is going.

He is a man, and this perhaps ^{is worth emphasizing} needs saying, a man who is a believer in free enterprise, ^{firmly} ~~only~~ across the board, going and coming.

I may add ~~to that~~ that Bob is not going at the expense of the Oil and Gas Division. His expenses will be paid out of a special fund that has been created for the purpose and ~~it~~ is being handled by the State Department. Desirable as I think it is in the interest of the industry and the interest of the government that he go to this meeting, we would not have wanted to finance it out of our limited budget, but we do not have to worry about that, and Bob is going. He will be back just before Thanksgiving.

Ed Swanson, Assistant Director, whom you all know who ~~is~~ that walking encyclopedia of oil information and that seasoned mind on oil problems, ^{a few moments ago} had to leave. He ~~is~~ still a little bit under doctor's orders and so he had to leave and is not here. He ^{is not here} can not stand up to take a bow.

Carroll Fentress, who has been a special assistant to the Director will become Director of Refining on November 8th ~~for the Oil and Gas Division~~. You have just listened to him, but maybe he will not mind standing up again.

~~no~~ ^{He} He is a tower of strength, ~~and~~ I think he attends more

meetings of important committees than any man in Washington. The only reason he does not attend more is that he can not attend two at once.

I think all of you know Don Carroll. Don has brought himself to the industry's attention on a couple of occasions lately. One ^{occasion} was ~~because of~~ his work with the Federal Communications Commission in trying to get radio bands ^{for} off-shore exploration for surveying, and the other was his work with the Internal Revenue Bureau in trying to keep unit operations from being specially taxed. ~~but~~ those are only two of the things he has done for and on behalf of the industry.

No 7 We have ^{just made} ~~put him into~~ our new Manpower Committee ^{Specialist} and he is the man who will be working ^{on manpower questions, in addition to his} ~~in that committee.~~ ^{other duties.}

We have a transportation man with us, John Boice. I do not know whether he has been introduced or not before. John has been in one form or another in transportation activities all his life. Four years of it was with the Division of Supply and Transportation in PAW; the rest of it with the Interstate Commerce Commission.

Incidentally, he has made a study recently for us and he originated it himself. It has to do with ~~the~~ post-war pipe line construction, and copies of ^{it} ~~that~~ have been passed around to you. He did not give it to me as a sample, but it is a sample of the type of work that he does.

I am not going to close without introducing Miss Bernice Kirschling. She is no stranger to any of you, but it may be news to some of you that some time ago she graduated from all secretarial duties and is now working exclusively on administrative duties ^{as Asst. to the Director}. She is the one who prepares our weekly reports without which there would ~~not~~ ^{no systematic the work of} be ~~any~~ record of the Oil and Gas Division.

No 7 You have heard something from your chairman about the great amount of work thrown on the National Petroleum Council by the appointment of all ~~these~~ ^{the many} committees under the voluntary agreement. She handles all of that ^{work} in our shop and does a thousand other things in keeping ~~the~~ the rest of us all straight. ^{Here} They are all important administrative activities.

It gives me a great deal of ~~enjoyment~~ ^{pleasure} to introduce a recruit who is going to join us in three or four ^{weeks} ~~days~~. *I told you in July that we needed* We need a production man and an equipment man and ~~also~~ an economist. I ^{have} found the production man. He is known to a good many of you. He is not as old as I am, but he has ^{had} almost as many years experience in the oil business. I introduce Mr. Paul B. Whitney;

No 7 ^{geologist} He is a geophysicist, production engineer, production manager, consultant, civil ~~ian~~ engineer, ~~and~~ president of a highly successful oil and gas company; Rocky Mountain; ^{Texas,} California, New Zealand, and Michigan, Florida, Texas Company,

George H. Getty, Wolverine.

Sinclair, Continental, Those are all the ones I can think of at the moment. I am just trying to give you a bit of his experience and background so that you will know the

type of man we are getting. *That is our staff, except for our necessary and competent clerical assistants.*

We still need two men. We still need an equipment man and an economist. I think we are on the trail of an economist. We are still looking for an equipment man *and* a man who knows oil equipment of all sorts and who knows the oil business as well, because we have not a staff big enough to put a man on equipment problems alone.

~~At this point~~ I want to express my very warm thanks to those who, as a result of the pleas made at the last meeting, have given us the names of people and in some cases offered us people that might help to meet our manpower needs. I want particularly to mention *a few!* Hines Baker who offered to loan us a man for a year, and an awfully good man, and it was only at the last minute that I did not accept Hines' offer. *no*

(Bob Wilson, *and* Ed Bullard who submitted a number of names to us and some of them we are still pursuing and working on, Sturgis *is* of Cities Service, who submitted us a couple of names *we are still considering*.)

If you will just continue to come across with that kind of help, we will continue to be most grateful for it.

That reminds me that the one thing that Walter Levy

did not tell you this afternoon ^{and} ~~was~~ that his manpower situation is almost as desperate as it was last time when he talked to you. He still is desperately in need of men to help him carry on ~~this~~ highly important job, ~~that he has~~ ^{Thanks to you,} and he has one man for which I know he is most grateful.

If any of you can recommend anyone else to him or put him in touch with anyone else, he will be most deeply grateful.

In going over our staff I forget our administrative officer. He is new with us, ^{but he is good. He} ~~and that~~ is Russell Slight. So we come to the end of my ~~role~~ ^{road.}

Because Bob is going away, I am staying on a bit longer than I had anticipated. As soon as the Secretary gets back my resignation will be submitted effective December 1st, which will be my closing day here.

It has been a grand experience, ~~and~~ I accepted it reluctantly; I had to be pushed into it, and I would not have missed it for anything. ^{The} The reason it has been such a happy experience is because you have made it so. ^{As} I think ~~perhaps~~ I intimated this morning in what I said ~~that~~ I had not fully appreciated this Council and the men on it until I had ^{went} ~~gone~~ to a meeting of another advisory committee of another industry. It made me think of you folks, it was so different. I just can not tell you how different it was. ^{Here} Here there is always open-mindedness; disagreement, ^{difference of opinion} ~~perhaps~~, ~~Disagreement~~ often, but open-mindedness.

There there was none. Here there is always a positive attitude. ~~"Well,"~~ "let's us see if we can find a way to do this." There the attitude was purely negative. "We can not do it," and the impression I got ^{was} ~~is~~, "We do not want to do it."

Here, with this group of men, unfailing courtesy and consideration ~~is present~~ ^{have} I think you ^{have} spoiled me. I ^{did} ~~do~~ not know any reason in the world after the treatment ^{you} ~~have~~ accorded ~~to~~ me, why I should not be able to talk to a vice-president of Bethlehem Steel without his interrupting me every third sentence. It ^{has} ~~seems~~ to me ^{ed} ~~every~~ time ^{that} ~~that~~ I ^{have} ~~not~~ with you ^{that} ~~I~~ talked to a lot of big people, ^{finger men than a Vice Pres. of Bethlehem Steel.} and ~~that~~ ^{But} ~~when~~ I ^{was} ~~felt~~ compelled to tell him that I felt ~~that~~ ^{just} I was ^{just} entitled to speak with ^{out} ~~un~~ interruption. He looked ^{astonished} ~~up~~ with exceeding ^{pained}.

So you have spoiled me, but you have made it a very happy experience. I am proud and I am happy to have worked ^{you} ~~with him~~, with such a group. You have never let me down once. You have not done everything that I have suggested or recommended, but you have never failed to convince me that you had good reasons for not doing it, and there never has been a time when you have not given me a full hearing on anything that I ^{have} ~~suggested~~.

I do not want to leave without ~~just~~ ^{once more} expressing myself ^{on} ~~a little bit~~ as to the value of this government-industry

cooperation that we are carrying on. A lot of us wondered when the war was over whether, although ^{such cooperation} ~~this~~ had been such an outstanding success in wartime, it could be carried on in peace without danger to the industry, whether there could be cooperation without its leading to control. I think we have demonstrated that there can, ^{I think} ~~and that~~ we have demonstrated that cooperation can be the best antidote to the danger of control.

Sometimes I have tried to assess the value of this Council to the government and I have found that even my ~~own~~ assessment is, of necessity, inadequate. If we ~~just~~ could gather together all the information that this Council has provided to the Interior Department, I think it would be astonishing to all of us. Probably I have the best view of it of anybody because you get it piecemeal, I have a chance to see it all. It is enormous and it is invaluable, but don't ever think that ~~this is~~ ^{is} your contribution to the Interior Department alone.

Last night I tried to jot down a list of the more important government agencies which have received information and recommendations from this Council, ~~and this~~ ^{is only a partial list}. I did not try to make it complete. The Armed Services Petroleum Board, the Armed Services Petroleum Purchasing Agency, the Office of Industry Cooperation of the Department of Commerce, ~~and~~ we have heard

from or
~~things~~ about all three of those today; the Office of International Trade of the Department of Commerce; the Office of Defense Transportation; the Maritime Commission; the Economic Cooperation Administration, from which you have heard this afternoon; the National Security Resources Board.

two of
~~most~~ If you look back over your agenda, ~~to these~~ committees that are ~~either~~ working or about to get to work and ~~will~~ *that will* report to you at your next meeting, are working primarily for the National Security Resources Board to provide information for it in its function of planning the best use of *the* civilian economy in the event of war. ~~And~~ *And* even the White House itself, ~~because~~ *it* do ~~not~~ ever think that recommendations and information received from this Council have not gone to the White House and been given serious consideration.

That is the value of this Council to the government.
~~I mean~~ *mean* that is not the value, ~~but~~ *merely* those are some of the elements of the value of this Council to the government.

How about the value of the Council to the industry?
 Again, you can not assess the value to the industry of having an industry body, representative of all of the segments of the industry, which sits as an adviser to the United States Government. *To divorce the industry from the government* That divorce, it seems to me, *if it* ~~should be a divorce~~, so that the industry *had no official voice,* ~~voiced~~ no official channel through which to reach government agencies,

would be a serious and critical ^{loss. It} ~~one~~ and would lead to misunderstanding which would go far towards bringing about the ^{very} thing in which we all so thoroughly disbelieve; namely, increasing government controls.

Then let me say something that perhaps you do not think about so often and that is the value ^{to} of the industry of the Oil and Gas Division. Have you stopped to think about the value to the industry, of having in the government, an agency composed of men who know the oil industry's problems, ^{and who} ~~and~~ are alert to them in so far as they do not conflict with the public ^{and anxious to help solve them} interest, ^{which} After two years of experience I am here to say they almost never do. Do you consider the value of a division that considers the problems and the needs of the industry, ^{and that} ~~an agency which~~ by its constitution is advisory to all of the other government agencies that have to do with oil and gas? Or of having an organization in the government whose business ~~itself~~ is to ~~assist and~~ answer the industry's questions and, if there is an occasion ^{and} in purely an advisory capacity, to assist the industry to solve such problems as it may have that do require government action?

But the greatest value of both the Council and the Oil and Gas Division is not to the industry and not to the government as such, but to the public. I think that ^{value} ~~that~~ has been proved over and over again in these past two years;

~~and~~ proved particularly during these trying times when we might otherwise have had a great deal more consumer hardship than we did have.

No 4 The fact that there was a mechanism by which the government could authorize the industry to get together, and ^{to} work at equitable distribution in the relief of consumer hardship, is ^{only} ~~just~~ one example of the great value of this combination and cooperation to the public.

I hope that neither the Council, nor the Oil and Gas Division, nor the cooperation between them, will ever be weakened.

A good many of you have been good enough to ask me what I am going to do and you have shown a good deal of interest in it. That is a personal matter and has no public bearing, but since Walter has mentioned it in his call on me to speak, ^{I am glad to tell you what I can,} I am going back into the consulting business. I have not made up my mind whether headquarters are going to be in Washington or in Denver. It is a ^{question as to} matter of which location is going to be most convenient and advantageous for certain of my clients.

If it should be ~~in~~ Washington, I ~~may say~~ that it will not be because I expect to represent clients before government departments. That is entirely ^a right and proper

business, but it is not one that I expect to be in. ^{So} Whether I make headquarters here in Wash., or in Denver, I will be doing there will, it will be either here in Washington, or it

the ordinary part of consulting

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I hope that on the side I am going to get a chance to

do a little writing. I have got a lot of technical stuff

in my system, particularly about reservoir mechanics of

natural gas, both in production and storage, that I would

like to get into print. I think they might do some good to

some other poor guys that have to wrestle with such

problems. But I am particularly anxious to do some writing

on some more general subjects that affect the oil business.

I would like to do some more writing along lines that

were just suggested in a talk which I gave up in New

Hampshire the other day. Some of you may have seen a

paper I wrote quite a number of years ago on the essential

freedom which is a creative, to the best of my ability,

on the necessity for freedom of enterprise if we are

going to have democracy at all. My publishers have been

after me to expand that into a book and I hope to find

time to do it.

That is about all I can tell you about my plans.

As you can see

with find out,

So I see

one of the supreme

is to be taken in many

and after December 1,

It is you who have made ^{this} ~~it~~ the experience that it has been.
I want to thank you all from the bottom of my heart. /

(Applause.)

The Chairman. Max, I know that I have ~~to~~ ^{will} bespeak
the sentiments of every member of this Council when I say
to you that you have our deepest gratitude, and wherever
the future may lead you you ~~shall~~ ^{will} always have our over-
whelmingly best wishes.

Gentlemen, that concludes the agenda of this meeting.

Is there any other business? If not, a motion to
adjourn is in order.

Before we adjourn, I would like to ask Mr. Wescoat,
as Chairman of the Special Committee on Storage Capacity
and the Chairman of the District Committees, to remain with
me a few minutes if you will.

(Whereupon, at 4:45 p.m. the hearing in the
above-entitled matter was CLOSED.)

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It is you who have made ^{it} the experience that it has been. I want to thank you all from the bottom of my heart.

(Applause.)

The Chairman. Now, I know that I have to ~~be~~ speak

the sentiments of every member of this Council when I say to you that you have our deepest gratitude, and wherever the future may lead you you ^{will} always have our over-whelmingly best wishes.

Gentlemen, that concludes the agenda of this meeting. Is there any other business? If not, a motion to

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Before we adjourn, I would like to ask Mr. Westcott,

as Chairman of the Special Committee on Storage Capacity

and the Chairman of the District Committees, to remain with

us a few minutes if you will.

(Whereupon, at 4:45 p.m. the hearing in the

above-entitled matter was CLOSED.)

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October 28, 1948

CORRECTION OF STATEMENT BY

WALTER J. LEVY

on

"Six Months of ECA's Oil Operations"

before the

National Petroleum Council

on October 21, 1948

Please replace the original page 3 and original Tables 2 and 3 of the above statement by the new page 3 and the new Tables 2 and 3 attached hereto. Press Release ECA No. 239 of October 21 should be corrected accordingly. Copies of the corrected statement and tables are available on request.

shipments to ECA countries of 58,188,000 barrels valued at \$203,075,000.^{1/} These figures exclude ECA countries for which a program has not been finally determined upon, and are subject to amendments as and when data on actual transactions become available. Although neither the six-months periods nor the list of countries used in making the comparison are quite identical, it is possible to say that the ECA programmed oil shipments have amounted to from 40 to 45 per cent of the total oil import needs of those ECA countries, which received ECA assistance.

About seventy-five per cent of the ECA programmed shipments, in terms of value, went to three nations -- Great Britain, France and Italy. By source,^{2/} the Middle East was the greatest supplier, with 27,261,000 barrels, valued at \$67,919,000. Western Hemisphere areas other than the United States provided 21,198,000 barrels, valued at \$67,880,000.

Shipments of U. S. Oil.

The United States share was held down to 9,729,000 barrels, valued at \$67,275,000. This represented about 17 per cent of the quantity and about 33 per cent of the value. The U. S. shipments included the great preponderance of lubricating oils and aviation gasoline, two products with relatively high unit prices. Lubricants, in fact, accounted for about 44 per cent by value of all ECA oil programmed during the six-months period from the U. S. In terms of quantity, the ECA's 9,729,000 barrel six-months program for U. S. exports was equivalent to less than 2 days of our domestic crude oil production. Further, estimated U. S. oil exports to ECA countries during the first half of 1948 were about 40 per cent smaller than during the same period in 1947. At the same time, U. S. oil exports to all other nations declined only by an estimated 6 per cent.

^{1/} See Table 2 (Corrected)

^{2/} See Table 3 (Corrected)

TABLE 2 (Corrected)

ECA PROGRAMMED SHIPMENTS OF CRUDE OIL AND REFINED PRODUCTS
BY COUNTRY OF DESTINATION

Six months -- April-September, 1948

Country	Quantity (1,000 barrels)		Value (1,000 dollars)		
	Crude Oil	Refined Products	Crude Oil	Refined Products	Total
Austria	---	93	---	591	591
Denmark	51	2,695	122	10,612	10,734
France	12,246	2,413	29,568	15,065	44,633
Germany-Bizone	699	---	1,451	---	1,451
Germany-French	7	481	15	2,635	2,650
Greece	---	1,148	---	4,508	4,508
Italy	8,704	2,715	19,251	12,679	31,930
Netherlands	---	2,775	---	10,799	10,799
Norway	---	1,590	---	5,902	5,902
United Kingdom	2,694	16,395	5,593	69,389	74,982
French No. Africa	---	2,439	---	10,052	10,052
Other French DOT's	---	1,043	---	4,843	4,843
Total	24,401	33,737	56,000	147,075	203,075

- Notes: 1. Countries for which a program has not been fully determined are excluded from this table; in addition more than half the programmed shipments for Greece have been excluded because a final breakdown of quantity and value by source is not yet available.
2. Value and quantity figures are preliminary estimates subject to amendment as and when data on actual transactions become available.

TABLE 3 (Corrected)

ECA PROGRAMMED SHIPMENTS OF CRUDE OIL AND REFINED PRODUCTS
BY PRODUCTS AND SOURCE

Six months - April-September, 1948

Commodity	Source and Quantity (1,000 barrels)			Total	United States	Source and Value (1,000 dollars)			Total
	United States	Other Western Hemi.	Middle East			Other Western Hemi.	Middle East		
Crude Oil	925	5,690	17,786	24,401	2,603	14,680	38,717	56,000	
Aviation Gasoline	1,235	141	34	1,410	8,620	937	228	9,785	
Motor Gasoline	2,040	5,184	2,438	9,662	8,591	19,722	9,384	37,697	
White Spirits	121	35	—	156	575	153	—	728	
Kerosene	199	2,985	887	4,071	784	11,765	2,930	15,479	
Gas and Diesel	2,207	2,873	1,167	6,247	8,263	9,303	3,967	21,533	
Fuel Oil	217	4,249	4,930	9,396	563	10,996	12,586	24,145	
Lubricants	2,164	—	—	2,164	29,409	—	—	29,409	
Solid Petroleum Products	621	41	19	681	7,867	324	107	8,298	
Total	9,729	21,198	27,261	58,188	67,275	67,880	67,919	203,074	

- Notes: 1. Countries for which a program has not been fully determined are excluded from this table; in addition more than half the programmed shipments for Greece have been excluded because a final breakdown of quantity and value by source is not yet available.
2. Value and quantity figures are preliminary estimates subject to amendment as and when data on actual transactions become available.

SIX MONTHS OF ECA'S
OIL OPERATIONS

STATEMENT BEFORE THE NATIONAL PETROLEUM COUNCIL
at Washington, D. C.
(For Release after 5 p.m. EST, October 21, 1948)

By Walter J. Levy
Chief, Petroleum Branch,
Economic Cooperation Administration.

I am grateful for the opportunity which you have given me to keep you and, through you, the industry informed on the development of the oil phase of the Marshall Plan. Its effects on the political and economic well-being of our country and of the ECA nations are bound to be great and, we all hope and trust, beneficial. It is an extraordinary attempt of the American people to establish peace and prosperity against the forces of disruption and destruction which menace our world.

The ultimate success of the Marshall Plan will depend on whether European countries can increase production in industry and agriculture. Such production efforts depend on a sufficient supply of energy and on an expansion of transportation. That is why the oil program is an integral part of the recovery plan and is basic to its success.

Leading Developments in the World's Oil Economy During 1948.

Since I talked to you at the end of July, much progress has been made. Further, we have obtained data which illustrate the development of the world's oil economy during 1948 and put into focus ECA's activities during this period.

You are all aware of the improvement of our domestic oil position resulting from the unprecedented efforts of our industry to balance supplies with ever growing demand. The U. S. total supplies

during the first nine months of 1948 rose by 10 per cent over the same months of 1947 to approximately 6,300,000 barrels daily compared with total demand of 6,100,000 barrels. Imports in the first three quarters of 1948 have reached nearly 500,000 barrels a day as compared with exports of 400,000 barrels. We have thus been a net importer of about 100,000 barrels daily.

Advances in the crude oil production outside the U. S. were even more impressive. During the first half of 1948 such production averaged more than 3,600,000 barrels daily, an increase of 19 per cent over the same period in 1947. There was thus a dramatic improvement in the world's oil economy.

European Oil Imports and ECA Supply.

This improvement is clearly reflected in the supply position of ECA countries. In the first six months of 1948, fifteen of these countries for which statistics are available imported 159,000,000 barrels of crude oil and refined products as compared with 148,000,000 barrels in the second half of 1947 and 123,000,000 barrels in the first six months of 1947.^{1/} The expansion of world production and tanker transportation enabled the ECA countries thus to increase their imports in the first six months of 1948 by 7 per cent over the second half of 1947 and by as much as 29 per cent over the first half of 1947.

Against these figures, the magnitude of the ECA's operations becomes evident. During the first six months of its operations, from April to the end of September 1948, ECA made arrangements to finance dollar oil

^{1/} See Table 1

shipments to ECA countries of 68,500,000 barrels valued at \$245,000,000,^{1/} and for tanker transportation expenses amounting to more than \$50,000,000 additional. Although neither the six-months periods nor the list of countries used in making the comparison are quite identical, it is possible to say that the ECA financed oil shipments have amounted to from 45 to 50 per cent of the total oil import needs of those ECA countries, which received ECA assistance.

Seventy-one per cent of the ECA financed shipments, in terms of value, went to three nations -- Great Britain, France and Italy. By source,^{2/} the Middle East was the greatest supplier, with 32,200,000 barrels, valued at \$87,000,000. Western Hemisphere areas other than the United States provided 25,000,000 barrels, valued at \$84,000,000.

Shipments of U. S. Oil.

The United States' share was held down to 11,300,000 barrels, valued at \$74,000,000. This represented $16\frac{1}{2}$ per cent of the quantity and 30 per cent of the value. The U. S. shipments included the great preponderance of lubricating oils and aviation gasoline, two products with relatively high unit prices. Lubricants, in fact, accounted for 35 per cent by value of all ECA oil provided during the six-months period from the U. S. In terms of quantity, the ECA's 11,300,000 barrel six-months program for U.S. exports was equivalent to slightly more than 2 days of our domestic crude oil production. Further, estimated U. S. oil exports to ECA countries during the first half of 1948 were about 40 per cent smaller than during the same period in 1947. At the same time, U. S. oil exports to all other nations declined only by an estimated 6 per cent.

^{1/} See Table 2

^{2/} See Table 3

This statistical picture should go far toward reassuring those who have expressed fears about the impact of the European Recovery Program on the U. S. domestic oil position.

Composition of European Oil Imports.

The total increase in imports into ECA countries in the first half of 1948 was due primarily to an increase in crude oil receipts from 40,000,000 barrels in the second half of 1947 to 50,000,000 barrels in the first half of 1948. Total imports of refined products into ECA countries which increased greatly during 1947 have not increased during the first six months of 1948 over the last of 1947. Among the refined products, imports of residual fuel oils were up, while those of gasoline and lubricants were substantially lower. The increase in Europe's refining capacity enabled it to absorb additional quantities of crude oil, so that its increased consumption of products was effected without placing any additional load on the overtaxed refining capacity of the rest of the world. At the same time, by importing increased quantities of crude oil rather than of refined products, very large savings of dollars could be achieved.

It is worth mentioning that the increase in Europe's refining output has been achieved partly by a greater yield of heavy products at the expense of the light products. Moreover, the improved tanker position has enabled one of the important foreign producers to send more fuel oil to markets, fuel oil which had formerly been pumped back into the oil fields. All these factors together with a sizeable increase in European coal production have combined recently to ease the fuel oil position in Europe and may permit and even necessitate a moderate increase in the use of fuel oil in industry in some countries.

Petroleum Equipment Program.

There is a second very important phase of the ECA program and that is the petroleum equipment program. In addition to the supply of products, the equipment program, however it may be financed, is essential to European recovery. The development of productive capacity in the Middle East and the expansion of refining capacity in Europe and elsewhere are among the most important elements in providing Europe with the fuel it must have and also with the foreign exchange income needed in order to balance its future international payments, in which the cost of oil imports is such a heavy item.

As mentioned before, in the field of refining capacity there has already been a dramatic improvement. European refineries at the end of 1947 could handle 380,000 barrels daily and this is expected to increase to over 500,000 barrels by June 1949. The French capacity showed large expansion, and there have also been increases in Great Britain, Holland, Bizone, and Italy. By the end of 1952, European countries have scheduled an increase to as much as 1,000,000 barrels daily. In addition, companies of the participating countries plan to raise their refining capacity outside of Europe and the U. S. from 1,000,000 barrels to 1,400,000 barrels by the end of 1952. Simultaneously, the non-European and non-U. S. crude oil production of these companies is scheduled to increase from 1,000,000 to 1,800,000 barrels a day.

These are the plans of the European countries. Whether they can be carried out completely is still an open question. That a substantial part of the program will be carried out, provided that no unfavorable political developments occur, appears to be certain.

Problems Inherent in ECA Oil Operations.

The organization and administration of our program is a difficult undertaking. I indicated to you on the occasion of the meeting of the National Petroleum Council in July the difficulties involved in best estimating the amount of oil actually available for such a program, and the dollar value to be put on it. I want to give you today a few of the analytical and operational problems which confront us.

ECA, and this must be stated as plainly as possible, has a policy which it adheres to strongly and believes in firmly of providing wherever practicable for operations through private trade channels. U. S. private enterprise supplies the means for recovery. Nevertheless, the mere fact that the U. S. Government finances commodity shipments of such magnitude to so many ECA countries poses very tough problems of relating such operations to the special and unavoidable problems which a responsible government faces.

As I mentioned to you before, the ECA as a rule does not finance premium crude oil transactions. Obviously ECA financed purchases of crude oil in the U. S., which to date have constituted only a minor fraction of one day's domestic production, did not occasion the latest crude oil price advance. One of the most important current problems is to interpret and administer in a practical and proper manner the laws under which ECA operates. As you know, under the law ECA cannot pay a delivered price in ECA countries in excess of the prevailing U. S. market price plus transportation from the U. S. to those countries. Again, prices paid to the supplier in ECA financed transactions may not exceed prices paid by other customers similarly situated. These rules present difficult problems of interpretation.

Another new development of potentially great impact on the European trade is the so-called intra-European payments plan which will come into effect on November 1.

Under this plan, which encourages European self-help, a great deal of intra-European trade that has been stalled by currency difficulties should be put into motion. Among the European countries, those with goods to export will make grants to others to cover the cost of exports to them. Correspondingly, the countries lacking such funds to pay for imports will be given drawing rights, which they can use to obtain goods they need most urgently. The exporting countries will in turn be compensated for their grants by ECA dollar allocations. As a rule, no transactions between European countries including the entire sterling area should any longer be settled in dollars.

A plan such as the one outlined here can obviously not be applied mechanically to the complex operations of the international oil industry. With its world-wide sources of supplies and marketing outlets, the trading and currency problems of the industry require very careful and sensible treatment in order to avoid unnecessary serious dislocations for American business. Problems of inter-company purchases, of exchange of oil between foreign and American companies, of American operations in the sterling area, of oil exports by an American company from one participating country to another, involve complicated currency considerations. In fact, this payment scheme raises the difficult issue of establishing a clear line of demarcation between dollar and nondollar oil.

The ECA equipment financing program poses further difficult questions involving the balance of the future product output with potential

European consumption. The whole structure of European oil imports will undergo changes and a greater interchange of products between European countries will be necessary. Even at best, imbalance may remain.

The acquisition of strategic materials and the establishment of the right of free access by U. S. citizens to certain raw material resources in ECA countries are also difficult matters which have to be dealt with in ECA.

All these are but a few of the problems with which we are currently concerned. There are many facets to them and in this short talk I cannot give you more than an impression of what the issues are. But I do want to make you aware of the nature of our concern and why it is necessary for us to deal with problems that at first might appear remote but which have far-reaching effects not only on the international oil trade but also on the domestic industry.

Conclusion.

In conclusion, we cannot overlook the fact that without the ECA the flow of oil to Europe from world sources would have been completely disrupted; the repercussions here and elsewhere would have been most serious. The lubricant of dollars is doing its work; the flow has continued, even if not always as smoothly as we would have liked.

To integrate the oil industry into an overall recovery program requires us to consider the many international channels of the oil industry and their cross currents, if this program is not to do damage to legitimate business or to the best interests of the plan itself.

It must, however, be understood that if European companies expand production and refining as part of the world-wide growth of the

industry, there are bound to be repercussions on our own imports and exports. It is equally evident that Europe cannot achieve recovery without increasing its total production and exports to a point where it can balance its budgets and its foreign payments. Recovery in Europe will necessarily affect the world's oil economy, including that of the U. S.

TABLE 1
IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS INTO ECA COUNTRIES 1/

By semi-annual periods, 1947 and first half 1948.
(All quantities in 1,000 barrels)

Country	Crude Oil		Refined Products 2/		Total Crude Oil & Refined Products	
	1948 Jan-June	1947 July-Dec Jan-June	1948 Jan-June	1947 July-Dec Jan-June	1948 Jan-June	1947 July-Dec Jan-June
Austria	---	---	191	127	191	127
Belgium	748	615	6,532	7,564	7,280	7,963
Denmark	70	28	3,752	5,635	3,822	5,726
France	22,182	15,175	4,593	4,405	26,775	24,097
Germany-Bizone	755	---	3,882	3,380	4,637	3,653
Iceland	---	---	578	276	578	276
Ireland	---	---	2,213	920	2,213	920
Italy	5,287	2,797	3,940	6,950	9,227	11,230
Netherlands	3,580	3,287	12,198	10,531	15,778	13,265
Norway	---	---	5,177	4,177	5,177	4,177
Portugal	1,000 3/	650 3/	836	1,087	1,836	2,287
Sweden	1,930	1,245	11,126	11,281	13,056	13,365
Switzerland	---	---	2,973	3,219	2,973	3,219
Turkey	---	---	1,207	1,107	1,207	1,107
United Kingdom	14,004	8,434	50,398	48,769	64,402	57,839
Total	49,556	32,231	109,596	109,428	159,152	149,251
						123,403

1/. Data not available for Grèce, Luxembourg, French Zone in German, Dependent Overseas Territories and China.

2/. Liquid products only.

3/. Estimated

TABLE 2

ECA FINANCED SHIPMENTS OF CRUDE OIL AND REFINED PRODUCTS
BY COUNTRY OF DESTINATION

Six months - April-September, 1948

Country	Quantity (1,000 barrels)			Crude Oil	Value (1,000 dollars)	
	Crude Oil	Refined Products	Total		Refined Products	Total
Austria	---	62	62	---	416	416
Denmark	19	2,695	2,714	122	10,667	10,789
France	18,566	3,081	21,647	36,275	19,810	56,085
Germany-Bizone	699	---	699	1,451	---	1,451
Germany-French Zone	---	157	157	---	1,535	1,585
Greece	---	3,234	3,234	---	10,801	10,801
Italy	8,704	2,536	11,240	19,251	10,622	29,873
Netherlands	---	2,779	2,779	---	11,831	11,831
Norway	---	1,584	1,584	---	6,059	6,059
United Kingdom	1,992	19,056	21,048	5,035	82,131	87,166
China	1/	1/	1/	1,080	15,473	16,553
French No. Africa	---	2,323	2,323	---	9,142	9,142
Other French DOT's	---	1,041	1,041	---	3,339	3,339
Total	29,980	38,545	68,528	63,214	181,876	245,090

1/. Quantities for China not yet precisely determined.

TABLE 3

ECA FINANCED SHIPMENTS OF CRUDE OIL AND REFINED PRODUCTS
BY PRODUCTS AND SOURCE

Six Months - April-September, 1948

Commodity	Source and Quantity (1,000 barrels)				Source and Value (1,000 dollars)			
	United States	Other Western Hemi.	Middle East	Total	United States	Other Western Hemi.	Middle East	Total
Crude Oil	1,354	6,810	21,816	29,980	3,992	18,478	40,744	63,214
Aviation Gasoline	1,363	393	60	1,816	10,656	2,583	655	13,899
Motor Gasoline	2,446	5,827	2,407	10,680	11,279	22,637	12,052	45,968
White Spirits	203	1,407	---	1,610	985	5,406	---	6,391
Kerosene	233	2,976	779	3,988	1,164	11,479	4,428	17,071
Gas and Diesel	2,316	3,278	1,178	6,772	9,827	11,208	7,255	28,290
Fuel Oil	1,075	4,311	5,928	11,314	3,611	12,166	21,869	37,586
Lubricants	1,680	---	18	1,698	25,895	---	180	26,075
Solid Petroleum Products	410	41	19	470	6,165	324	107	6,596
Total	11,280	25,043	32,205	68,528	73,574	84,226	87,290	245,090

1/. Quantities for China not yet precisely determined.

2/. Includes relatively small values allotted to China from Far Eastern Sources.